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Dilution

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ARTICLE

DILUTION

Clarisa Long*

Ever since the creation of federal dilution law, legal commentators have expressed consternation about this variation of the trademark entitlement. Prior to the advent of this form of protection, the owner of a mark could recover for trademark infringement under the Lanham Act only if the commercial use of its mark by someone else caused consumer confusion. By contrast, dilution grants trademark holders an injunctive remedy for the use of their famous marks by another even when consumers are not confused. This Article explores how federal dilution law is actually being judicially enforced. To do so, it examines the enforcement rates of dilution claims in reported cases and in unreported trademark filings. The data show that dilution has not been as powerful a theory of infringement as one might expect. Judicial enforcement of dilution law is not robust today and has been eroding over time. Quantitative and qualitative data derived from published opinions and from trademark infringement filings indicate that after a period of initial broad interpretation and sometimes even enthusiastic embrace of dilution law, courts in recent years have become rather chary of it. The Article next examines some reasons why this might be so and why trademark holders have not fully adapted their pleading practices to these developments. The Article then explores some of the implications of the judiciary’s treatment of federal dilution law.

INTRODUCTION

Ever since the creation of federal dilution law, legal commentators have expressed consternation about this variation of the trademark entitlement.1 Dilution law has been called “absolute and unlimitable,”2 “pow-

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erful,"³ and "immensely popular."⁴ Commentators have labeled dilution law "a fundamental shift in the nature of trademark protection,"⁵ concluded that "plaintiffs frequently win" their dilution claims,⁶ and wondered whether the statute will prove to be a "disaster."⁷ Some commentators are concerned that dilution law represents an expansion in property rights at the expense of the public domain.⁸ Others worry that it stifles expression, hampers commercial communication, or reduces competition.⁹ Richard Posner frets about dilution's "seductive appeal."¹⁰

This is exactly what one would expect from reading the federal dilution statute. On its face, dilution law looks like a powerful form of protection, one that should be easy to enforce.¹¹ The Federal Trademark Dilution Act (FTDA) protects "[t]he owner of a famous mark . . . against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark."¹² Prior to the advent of this form of protection, the owner of a mark could recover for trademark infringement under the Lanham Act only if the commercial use of its mark by someone else caused consumer confusion.¹³ By contrast, dilution grants trademark holders a remedy for the use of their famous marks by another

³. Gerard N. Magliocca, From Ashes to Fire: Trademark and Copyright in Transition, 82 N.C. L. Rev. 1009, 1033 (2004) (stating that dilution "is now a powerful alternative to the traditional model of trademark protection").
⁹. See, e.g., Gordon, supra note 7, at 1614–15 (expressing concern about dilution law's ability to undermine comparative advertising and parody); Mark A. Lemley, Romantic Authorship and the Rhetoric of Property, 75 Tex. L. Rev. 873, 900 (1997) (reviewing James Boyle, Shamans, Software, and Spleens: Law and the Construction of the Information Society (1996)) (stating that trademark owners "are well on their way to owning the exclusive right to pun").
¹³. See Lanham Act §§ 32(1), 43(a), 15 U.S.C. §§ 1114(1), 1125(a) (establishing liability for infringement of registered and unregistered marks, respectively).
even when consumers are not confused. Firms can now find themselves in the cross hairs of a trademark owner with whom they do not even compete. One example sometimes offered to illustrate a potential dilution claim is the simultaneous use of the trademark TIFFANY by a jewelry store and a restaurant.

The dilution statute may well look fearsome in print, but what is it like in reality? This Article explores how dilution law is actually being judicially enforced. To do so, it examines the enforcement rates of dilution claims in reported cases and in unreported trademark filings. These data also include the results for unreported settled cases in which dilution was asserted as a claim. If it is really true that dilution law is a powerful form of protection in practice, then we should expect to see robust judicial enforcement of dilution claims brought by trademark holders against a range of competitors and noncompetitors alike.

The data show that dilution has not been as powerful a theory of infringement as one might expect. Judicial enforcement of dilution law is not robust today and has been eroding over time. In the first year of federal dilution law’s existence, the judiciary accepted dilution claims approximately half the time in my sample. But relief rates have been on a downward trajectory since then. It could well be the case that dilution law is a powerful bargaining chip in cease-and-desist letters and in negotiations entirely outside the litigatory arena. In the federal courts, however, dilution cases are not exactly a juggernaut. That is not to say that dilution law lacks seductive appeal, but rather that it seems not to have worked its wiles on the judicial mind as many feared.

The weakness of dilution law in practice may come as a surprise. It is not the result one would expect from reading the statute itself, from knowing which litigants benefit from dilution law’s robust enforcement, or from examining other areas of intellectual property. In other areas of intellectual property, the trend has been toward stronger, broader, and longer protection. Over time, the various areas of intellectual property law have expanded to encompass more subject matter in their respective

14. Id. § 1127 (stating that dilution may occur “regardless of the presence or absence of ... likelihood of confusion, mistake, or deception”).
15. Id. (asserting that dilution may occur in “absence of ... competition between the owner of the famous mark and other parties”).
16. I follow the convention of indicating a word or logo used as a trademark by displaying it in all capital letters.
17. See Ty Inc. v. Perryman, 306 F.3d 509, 511–12 (7th Cir. 2002) (discussing example of different uses of TIFFANY).
18. See infra Tables 1 & 2.
19. See infra Tables 1 & 2.
Congress has lengthened the terms of protection for patent and copyright law. In recent decades, legal enforcement of intellectual property rights has become easier and more favorable. One would expect trademark dilution law to be no different. And yet in the federal courts, at least, dilution appears to be not just holding out against expansion, but weakening.

There could be any number of reasons for the falling rates of enforcement of dilution claims. This Article explores judicial disenchantment with dilution law as one such reason. Quantitative and qualitative data derived from published opinions and from general trademark infringement filings indicate that after a period of initial broad interpretation and sometimes even enthusiastic embrace of dilution law, courts in recent years have become rather chary of it. Courts have thrown up barriers to the success of dilution claims, even to the point of imposing limitations not in the statute. Although judges have generally not articulated clearly or consistently why they are uncomfortable with dilution, certain broad themes underlie their discomfort.

Courts appear to recognize that dilution law has a place—albeit a carefully circumscribed place—among the various forms of intellectual property protection. The FTDA encompasses a broad range of third-party (nonowner) uses of a trademark. Distinguishing between social welfare-enhancing uses and social welfare-reducing uses is key, but the statute by itself provides little guidance. Judges have instinctively, although not explicitly, recognized that many dilution claims reduce social welfare even when they appear to fall within the parameters of the statute. Courts then find reasons to deny relief in individual cases whose


26. See, e.g., TCPIP Holding Co. v. Haar Commc'ns Inc., 244 F.3d 88, 95–96 (2d Cir. 2001) (denying dilution protection to descriptive mark).
facts only hint at larger problems with dilution law. Over the years, various circuits have developed their own ways to shut down many of the dilution claims that come before them, which has resulted in dilution law evolving quickly and differently from circuit to circuit.  

Trademark holders have not completely adjusted their pleading practices to reflect these changes in the law. Plaintiffs almost always plead dilution as one of a number of claims, and most plaintiffs are probably not basing their expectations of success in the lawsuit solely or even largely on their dilution claim. Instead, they most likely are calculating their chances of success on other grounds, such as traditional trademark infringement or unfair competition claims. The marginal cost to plaintiffs of pleading dilution as an additional claim in a trademark infringement suit is low. Bringing a dilution claim can raise defendants' anticipated costs, which can increase a plaintiff's leverage in the suit and help speed settlements. Even as courts have become less willing to enforce dilution claims over time, the costs to most plaintiffs of pleading dilution remain small and the benefits positive.

This Article proceeds as follows. Part I discusses dilution as a theory of infringement. Part II presents the results I obtained from examining reported dilution cases and unreported filings. This Part shows that judicial enforcement of dilution claims has been dropping over time, and explores some reasons why this might be so and why trademark holders have not fully responded to these developments. Part III expands upon judicial dissatisfaction with dilution law. Courts are uncomfortable with the reach of dilution law and are progressively reading limitations into the statute in response. Although judges are not justifying their actions in efficiency terms, over time they are generally denying enforcement in cases where enjoining unauthorized use of the trademark would reduce social welfare.

I. DILUTION AS A THEORY OF INFRINGEMENT

Trademark law, at least in its classical form, is directed at preventing harm to consumers through the misleading or confusing use of trademarks. Trademarks indicate the source or origin of goods. Because many things can serve as source identifiers, trademarks are not confined to words, phrases, pictures, logos, symbols, and other merely literary elements. The look and feel of a product, a product configuration, a color,

27. Compare Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 216 (2d Cir. 1999) ("It is quite clear that the statute intends distinctiveness, in addition to fame, as an essential element."), with Times Mirror Magazines, Inc. v. Las Vegas Sports News, 212 F.3d 157, 166-67 (3d Cir. 2000) ("[W]e are not persuaded that a mark be subject to separate tests for fame and distinctiveness.").

28. See 15 U.S.C. § 1127 (defining trademark as "any word, name, symbol, or device, or any combination thereof [used] to identify and distinguish [a person's] goods.")
sound, or scent may serve as a source identifier. Thus, this Article will refer to all product identifiers protected under the Lanham Act as “marks” and “trademarks,” even though some of these may actually be trade dress or service marks.

Classical trademark law is based on the proposition that consumers rely on a particular mark to identify a product possessing a particular mix of attributes. On this view, a trademark is a proxy for a set of product attributes. Use of an identical or similar mark on a different product with a different set of product characteristics can increase consumers’ information costs about the good and may cause confusion. Consumers may be confused about the source of the goods, they may mistakenly believe an entity has sponsored or approved a product, or they may merely be observers (not direct purchasers) of the good after it has been purchased. But regardless of what form the actual or potential confusion takes, classical trademark law allows trademark holders to recover only to the extent reasonable consumers are actually or likely to be confused. With this focus on consumers, the classical trademark entitlement is essentially a set of use rights rather than purely exclusionary rights: A trademark holder’s ability to recover is determined by the way the mark is used by others. What constitutes a prohibited third-party use is a context-dependent question. Outcomes will be influenced by such factors as the nature of the product (e.g., an inspection good vs. an experience good), whether the owners and users are competing in the same product market, the nature and knowledge of the relevant consumer audience (such as whether they are children or particularly savvy consumers), and the manner in which the mark is used.

By contrast, dilution law is producer-focused rather than consumer-focused: It seeks to prevent diminution in the value of a famous mark stemming from the use of the mark by someone other than the trademark holder. Dilution law’s underlying assumption is that the unauthorized use of a famous mark by third parties, even when consumers are not confused by the use of the mark, can diminish the mark’s selling power.


31. See 15 U.S.C. §§ 1114(1)(a), 1125(a)(1)(A) (granting relief for third-party use that “is likely to cause confusion”).

32. See infra text accompanying notes 102–103 for a description of inspection goods and experience goods.

33. What this Article (and the literature) customarily refers to as “dilution law” is technically antidilution law.
and value because the mark is no longer associated with a single source.\textsuperscript{34} Congress put a distinctly producer-oriented spin on dilution when it specified that "dilution recognizes the substantial investment the owner has made in the mark and the commercial value and aura of the mark itself, protecting both from those who would appropriate the mark for their own gain."\textsuperscript{35} The Supreme Court has recognized Congress's concerns, stating that "[u]nlke traditional infringement law, the prohibitions against trademark dilution are not the product of common-law development, and are not motivated by an interest in protecting consumers."\textsuperscript{36} Perhaps it is because a dilution theory of trademark protection is a departure from trademark law's traditional goals that Congress allowed recovery in the absence of consumer confusion.\textsuperscript{37}

Some commentators have argued that dilution law is geared toward protecting consumers because diminution of a famous mark's ability to identify a product increases consumers' search costs.\textsuperscript{38} Recent cases can support this contention, as courts have steered dilution law away from its producer-oriented roots toward a greater focus on the consumer, but the legislative history of the FTDA suggests that Congress originally had more producer-centered considerations in mind.\textsuperscript{39} Congress had instrumentalist aims as well. The House Report asserts that passage of the FTDA would "assist the executive branch in its bilateral and multilateral negotiations with other countries" on intellectual property issues and would help maintain "the United States' position as a leader setting the standards for strong worldwide protection of intellectual property."\textsuperscript{40}

On its face, dilution law looks like a relatively strong form of trademark protection. Dilution is a more exclusionary version of the trade-

\textsuperscript{34} See 15 U.S.C. § 1127 (defining dilution as "lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception").


\textsuperscript{37} Because there is more than one theory of what dilution is, courts are divided on the relationship between consumer confusion and dilution. Compare Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 219 (2d Cir. 1999) ("Consumer confusion would undoubtedly dilute the distinctive selling power of a trademark."), and Tri-Star Pictures, Inc. v. Unger, 14 F. Supp. 2d 339, 363 (S.D.N.Y. 1998) (noting that presence of confusion is relevant to showing dilution), with Playboy Enters., Inc. v. Welles, 279 F.3d 796, 805 (9th Cir. 2002) ("Dilution works its harm not by causing confusion in consumers' minds regarding the source of a good or service, but by creating an association in consumers' minds between a mark and a different good or service.").

\textsuperscript{38} See, e.g., Stacey L. Dogan & Mark A. Lemley, The Merchandising Right: Fragile Theory or Fait Accompli?, 54 Emory L.J. 461, 493 (2005) [hereinafter Dogan & Lemley, Merchandising Right] ("[P]roperly understood, dilution is targeted at reducing consumer search costs, just as traditional trademark law is.").

\textsuperscript{39} See H.R. Rep. No. 104-374, at 3 ("The concept of dilution recognizes the substantial investment the owner has made in the mark and the commercial value and aura of the mark itself . . . .").

\textsuperscript{40} Id. at 4.
mark entitlement than the classic likelihood-of-confusion variant. If we arrayed all the possible variations of the propertarian forms of protection along a spectrum ranging from nuanced and contingent use-based forms at one end to Blackstonian-style exclusionary forms at the other, dilution would be closer to the exclusionary end than would the classic likelihood-of-confusion variant.\footnote{Dilution is not composed purely of bright-line rules—no entitlement is—which is why I place it \textit{relatively} closer to the exclusionary end of the spectrum protection. See Robert C. Ellickson, \textit{Property in Land}, 102 Yale L.J. 1315, 1362–63 (1993) (discussing exclusionary “Blackstonian” bundle of rights); Clarisa Long, \textit{Information Costs in Patent and Copyright}, 90 Va. L. Rev. 465, 517–22 (2004) (discussing exclusionary rules in intellectual property). Frank Schechter, who initiated the concept of dilution, envisioned a narrower form of the entitlement. See Frank I. Schechter, \textit{The Rational Basis of Trademark Protection}, 40 Harv. L. Rev. 813, 828–31 (1927) (proposing form of dilution law limited to conflicts between identical marks, where plaintiff’s mark was not only famous but also arbitrary and where defendant’s use of mark was on noncompeting and nonsimilar goods).} Dilution law creates relatively stronger duties of avoidance of protected marks, whereas classic trademark infringement creates weaker duties of avoidance that are more nuanced and context-contingent. If classic trademark infringement can be analogized to the law of nuisance in real property, dilution has more trespass-like elements. For famous marks at least, one would expect dilution to be the more powerful theory of trademark protection.

At a broad enough level of abstraction, dilution hangs together. But it begins to dissolve as a concept the closer one gets to it. One of the difficulties posed by dilution law is ambiguity about the nature of the harm that arises from diluting a mark. Indeed, dilution is a concept whose harm has been called “dauntingly elusive.”\footnote{Ringling Bros.-Barnum & Bailey Combined Shows v. Utah Div. of Travel Dev., 170 F.3d 449, 451 (4th Cir. 1999). Commentators generally agree. See, e.g., Robert N. Klieger, \textit{Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection}, 58 U. Pitt. L. Rev. 789, 840–41 (1997) (discussing dilution’s “elusive harm”); David S. Welkowitz, \textit{Reexamining Trademark Dilution}, 44 Vand. L. Rev. 531, 543 (1991) (arguing that dilution theory fails to explain why trademark holder suffers harm).} Because the harm that dilution law seeks to prevent is difficult to define, there is no single accepted definition of dilution.\footnote{See, e.g., Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 430 (2003) (mentioning blurring and tarnishment as theories of dilution).} Courts are defining dilution in several different ways, two of which—blurring and tarnishment—are interpretations imported from more than sixty years of state dilution law.\footnote{See, e.g., Jews for Jesus v. Brodsky, 993 F. Supp. 282, 306 (D.N.J. 1998) (stating that dilution “encompasses traditional state law doctrines of blurring and tarnishment”), aff’d, 159 F.3d 1351 (3d Cir. 1998).} Blurring is the use of a mark by a third party to identify a different product in a way that weakens the connection in consumers’ minds between the mark and the original product, although it does not go so far as to create
outright confusion.\textsuperscript{45} Tarnishment is the use of a trademark by a third party in a way that creates a negative impression of the trademark in the minds of consumers.\textsuperscript{46} The existence of multiple variations of dilution indicates that dilution's harm can be hard to identify.

The harm of dilution is also elusive because it is not clear from the face of the statute whom the law is trying to protect. Although the legislative history indicates that Congress's main intent was to protect trademark holders rather than consumers—an intent the Supreme Court has recognized\textsuperscript{47}—this intent was not clearly incorporated into the FTDA. The fact that dilution's harm is ill-defined is contributing to the increasing wariness of courts to grant relief. Part II of this Article shows that relief for dilution claims has become harder to obtain. Part III discusses some of the reasons why this may be the case.

\section*{II. Judicial Enforcement}

I started by testing how often dilution claims were successful. Specifically, I wanted to test how often trademark holders succeeded in getting injunctive relief for the alleged dilution of their trademarks by others. Because an injunction is the only available remedy for a dilution claim and because the grant of an injunction is more readily verifiable and less variable than the assessment of damages,\textsuperscript{48} examining the presence and rate of injunctive relief is a replicable and objective data point to measure. I confined my inquiry to federal cases because I am interested in testing relief solely under federal dilution law for this Article. Although a majority of the states have dilution statutes of their own—most of which were adopted long before passage of the FTDA\textsuperscript{49}—there are significant

\begin{footnotesize}
\begin{enumerate}
\item Id. § 24:95, at 24-214 (defining tarnishment).
\item \textit{Moseley}, 537 U.S. at 429 ("[P]rohibitions against trademark dilution ... are not motivated by an interest in protecting consumers.").
\item See 15 U.S.C. § 1125(c)(2) (2000) (stating that "the owner of the famous mark shall be entitled only to injunctive relief" unless the accused infringer acted willfully).
\item Thirty-five states have enacted statutes aimed at preventing dilution and two states have adopted dilution as part of their common law. The states that have codified antidilution law are: Alabama, Alaska, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Louisiana, Maine, Massachusetts, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Washington, West Virginia, and Wyoming. 4 McCarthy, Unfair Competition, supra note 45, § 24:80, at 24-149. Michigan and Ohio have recognized dilution as part of their common law. See Ameritech, Inc. v. Am. Info. Techs. Corp., 811 F.2d 960, 965 (6th Cir. 1987) ("Dilution claims ... are cognizable under Ohio's common law."); O M Scott & Sons Co. v. Surowitz, 209 F. Supp. 59, 61 (E.D. Mich. 1962) (issuing injunction on basis of dilution claims brought in conjunction with likelihood of confusion claims).
\end{enumerate}
\end{footnotesize}
differences between state and federal dilution law,\textsuperscript{50} as well as considerable variation in dilution law among the states.\textsuperscript{51} As a result, one should be cautious about attempting to extrapolate results based on federal dilution data to the state level. I make no such attempt in this Article.

In this Part, I examine federal dilution cases. My data sets cover both reported decisions and trademark filings generally. In subpart A, I examine reported cases and show that judicial enforcement has decreased over time. In subpart B, I expand my data set to include unreported dilution filings for comparison with reported results. I show that the reported results are similar to the results in unreported filings. In subpart C, I explore some of the reasons that can help explain the general trends derived from these data sets and why trademark holders have not fully compensated for these trends.

\textbf{A. Reported Cases}

To examine the rates of enforcement of dilution claims, I first compiled all reported opinions in the ALLFEDS database in Westlaw involving trademark dilution that had been brought in federal district and circuit courts from January 16, 1996 to July 16, 2005.\textsuperscript{52} From each year's search results, I eliminated all opinions in which dilution was merely discussed but not explicitly asserted as a claim and all cases in which dilution claims were brought purely under state law. I also eliminated instances of double counting in order to make cases, rather than opinions, the unit of measurement. Next, I excluded cases brought pursuant to the Anticybersquatting Consumer Protection Act (ACPA)\textsuperscript{53} that solely alleged trademark dilution through the mark's use as part of an internet domain name. Put another way, for my first set of tests, I excluded from the sample cybersquatting cases brought pursuant to the ACPA but not allegations of cybersquatting brought pursuant to the FTDA. For my second set

\textsuperscript{50} One of the major differences between state and federal dilution law is that some states do not require that a mark be famous to qualify for protection against dilution under state law. See, e.g., Wedgwood Homes, Inc. v. Lund, 659 P.2d 377, 381 (Or. 1983) (holding that marks distinctive only in local geographic area could be protected).


of tests, I further excluded cases involving a domain name to eliminate any cybersquatting-type claim.

Cybersquatting cases often involve a person registering a domain name containing a trademark in the hope of reselling the domain name to the trademark holder. An example is a person not associated with the Panavision corporation registering the domain name “panavision.com.”

Because PANAVISION would most likely be declared a famous trademark and because the individual is using the trademark PANAVISION in a domain name without Panavision's permission, Panavision can bring a trademark dilution claim. Alleged cases of cybersquatting, however, can ultimately involve defendants being found to be using the mark legitimately in a domain name, such as if Farmer McDonald registered the domain name “mcdonalds.com,” or if a person protesting the Walt Disney Corporation’s support for strong copyright protection registered “disney-sucks.com.”

Alleged dilution of trademark domain names can be challenged under both the ACPA and the FTDA. I excluded from the sample cybersquatting cases brought pursuant to the ACPA for several reasons. First, the legal requirements for dilution under the ACPA are significantly different from those under the FTDA. Second, most ACPA dilution disputes are resolved by a specially created arbitration system, so the ACPA cases that do get litigated cannot be assumed to be representative either of all ACPA cases or of dilution cases generally. The Internet Corporation for Assigned Names and Numbers (ICANN) has established a Uniform Domain Name Dispute Resolution Policy (UDRP) that creates a special arbitration system for resolving ownership of, and thereby trademark disputes over, internet domain names. A large number of disputes involving the unauthorized use of a trademark in a domain name are settled through ICANN’s approved arbitrators. Arbitration of domain

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54. See Panavision Int'l v. Toeppen, 141 F.3d 1316, 1324–27 (9th Cir. 1998) (holding registration of domain name “panavision.com” by individual not connected with Panavision corporation to be cybersquatting). Mr. Toeppen demanded $13,000 from Panavision in exchange for transfer of the domain name. Id. at 1319.

55. See http://disney-sucks.com (last visited Mar. 24, 2006). Lest anyone miss the point, the site prominently states: “This web-site [sic] has no affiliation with the Walt Disney Company.” Id.

56. Among other things, the ACPA requires bad faith whereas the FTDA does not. See 15 U.S.C. § 1125(d)(1)(A)(i) (requiring “a bad faith intent to profit”).


58. ICANN has approved the following providers to conduct dispute resolution proceedings: Asian Domain Name Dispute Resolution Centre, CPR Institute for Dispute Resolution, The National Arbitration Forum, and the World Intellectual Property Organization. See ICANN, Approved Providers for Uniform Domain Name Dispute-Resolution Policy, at http://www.icann.org/dndr/udrp/approved-providers.htm (last updated Mar. 1, 2002) (on file with the Columbia Law Review). The National Arbitration Forum (NAF), which handles the bulk of the arbitrated disputes involving domain names
names is generally cheaper and faster than litigation in federal district court.\textsuperscript{59} Plaintiffs who choose federal district court over arbitration are choosing the slower and more expensive route. They also are choosing the statistically less favorable option because trademark holders are more likely to prevail in arbitration than in litigation.\textsuperscript{60}

Given that arbitration is cheaper, faster, and more favorable to plaintiffs, an interesting question is why trademark holders ever litigate over domain names in federal court, either under the ACPA or under the FTDA. One reason trademark holders sometimes prefer litigation to arbitration may have to do with the nature of the remedy. Courts can enjoin defendants and can enforce their judgments more easily. And although the UDRP vests ICANN's approved arbitrators with the authority to transfer the ownership of domain names from one party to another, when a respondent engages in a consistent practice of registering and then selling domain names containing others' trademarks, arbitrators may not be able to provide effective relief.

1. Federal Courts. — Having compiled a set of reported cases in which dilution was pled under the FTDA, I started with the simplest of inquiries: How often are trademark holders getting relief on their dilution claims and how are these results distributed over time? Since an injunction is the only available relief for a dilution claim,\textsuperscript{61} I defined relief as instances in which the trademark holder walked away with injunctive relief that

\textsuperscript{59} Litigation costs for the median trademark infringement cases brought in federal court are estimated at $298,000 when less than one million dollars was at risk, at $602,000 when one million to twenty-five million dollars was at risk, and at $1,006,000 when more than twenty-five million dollars was at risk. See Am. Intellectual Prop. Law Ass'n, Report of the Economic Survey 2003, at 94-95 tbl.22 (reporting estimated costs of litigation). By contrast, NAF's fees run from $400 for claims less than twenty-five hundred dollars to $10,000 for claims from one to five million dollars. See NAF, Fee Schedule (Jan. 1, 2005), at http://www.arbforum.com/programs/code_new/2005_fees.pdf (on file with the Columbia Law Review).

\textsuperscript{60} The NAF transferred domain names to complainants 74.65% of the time, or in 3,972 out of 5,321 disputes brought between December 23, 1999, when the NAF started accepting disputes, and December 23, 2005. See NAF, Domain Dispute Proceedings and Decisions, at http://www.arbforum.com/domains/decisions.asp (search results on file with the Columbia Law Review). Many of these involved trademark disputes over multiple domain names. See, e.g., Cable News Network v. Khouri, Claim No. FA0208000117876 (N.A.F. Dec. 16, 2002), at http://www.arbforum.com/domains/decisions/117876.htm (on file with the Columbia Law Review) (transferring 325 domain names containing trademark "CNN").

\textsuperscript{61} See 15 U.S.C. § 1125(c)(1) ("The owner of a famous mark shall be entitled . . . to an injunction.").
stuck. This includes instances in which the trademark holder was granted summary judgment on its dilution claim, or the trademark holder was granted a preliminary injunction on its dilution claim and the parties settled before trial, or the trademark holder received permanent relief after trial. If the district court granted a preliminary injunction and then failed to give permanent relief on dilution claims in cases that went to trial, I did not count this as a favorable outcome for the trademark holder on the dilution claim.

Confining the measure of success on dilution claims to instances of judicial enforcement is arguably a narrow definition of success. In particular, it excludes instances in which the trademark holder was not able to get a preliminary injunction and the case terminated before trial. Such a result, although not a success in getting injunctive relief, may not be a failure for the trademark holder either. If the case was terminated in the absence of an injunction because the trademark holder dropped it, then the result is likely not a favorable one for the trademark holder. But if the case was terminated because the parties settled in the absence of an injunction, one could treat the settlement as a half-success (at least) for the trademark holder. Half-successes from settlements in cases that terminate in the absence of a preliminary injunction are not measured in my results; instead they are counted as failures. Parties' private satisfaction with settlement results, moreover, is a variable that could not reliably be observed or measured.

My sample contained 344 reported cases from January 16, 1996 to July 16, 2005. I counted each case in the year in which relief was granted or denied. In most of these cases, dilution was asserted as one of several claims. I eliminated from my sample any cases in which injunctive relief had been granted but for which it was not possible to determine whether relief had been granted on dilution or on some other claim. There were a small number of such cases in the sample. Although excluding unclear cases of relief pushes down the apparent rate of injunctive relief on dilution claims in my sample, there were sufficiently few such cases—11 out of 344, or 3.20%—that excluding them did not noticeably change the overall distribution of results. Relief was granted in 106 of the 344 cases, or 30.81% of the time.

For each year's cohort of cases, I measured the rate at which trademark holders were able to obtain relief on any claim other than an FTDA

63. See, e.g., Te-Ta-Ma Truth Found.-Family of URI, Inc. v. World Church of the Creator, 297 F.3d 662, 667 (7th Cir. 2002). In this opinion, Judge Easterbrook reversed a denial of relief for the plaintiff on its trademark claims, of which dilution was one, and remanded with instructions to enter relief for plaintiff, but did not specify whether this was because the mark was diluted. Id.
64. Unclear cases were distributed as follows: None in 1996; none in 1997; two in 1998; one in 1999; two in 2000; one in 2001; one in 2002; one in 2003; two in 2004; one in 2005.
dilution claim. Thus, if a trademark holder asserted four claims—for example, one brought under the FTDA and the remaining three brought on some other basis—and received relief on one of the non-FTDA claims, this result was included in the calculation of nondilution rates of relief. Similarly, if a trademark holder was granted relief on an FTDA claim as well as on a nondilution claim, this result was included both in the calculation of dilution relief and in nondilution relief. Trademark holders were able to obtain a remedy on a nondilution ground in 165 out of 344 of the cases in the sample, or 47.97% of the time.

Because trademark holders may be granted relief on dilution and nondilution claims in the same case, the rate of relief on any ground will usually be less than the sum of rates of relief on dilution and on nondilution grounds. Trademark holders were able to obtain some form of relief in 179 out of 344 cases, or 52.03% of the time. Table 1 shows the distribution, by year, of relief on FTDA grounds, on nondilution grounds, and on any ground.

Table 1: Relief in Reported FTDA Cases

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of reported dilution cases</th>
<th>Relief granted on a dilution claim (%)</th>
<th>Rate of relief on dilution claim</th>
<th>Relief granted on nondilution grounds (%)</th>
<th>Rate of relief on nondilution grounds</th>
<th>Relief granted on any ground (dilution and nondilution) (%)</th>
<th>Rate of relief on any ground (dilution and nondilution)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2005–July 16, 2005</td>
<td>25</td>
<td>3</td>
<td>12.00</td>
<td>5</td>
<td>20.00</td>
<td>6</td>
<td>24.00</td>
</tr>
<tr>
<td>2004</td>
<td>41</td>
<td>7</td>
<td>17.07</td>
<td>21</td>
<td>51.22</td>
<td>21</td>
<td>51.22</td>
</tr>
<tr>
<td>2003</td>
<td>35</td>
<td>6</td>
<td>17.14</td>
<td>14</td>
<td>40.00</td>
<td>14</td>
<td>40.00</td>
</tr>
<tr>
<td>2002</td>
<td>38</td>
<td>10</td>
<td>26.32</td>
<td>16</td>
<td>42.11</td>
<td>16</td>
<td>42.11</td>
</tr>
<tr>
<td>2001</td>
<td>31</td>
<td>9</td>
<td>29.03</td>
<td>10</td>
<td>32.26</td>
<td>13</td>
<td>41.94</td>
</tr>
<tr>
<td>2000</td>
<td>43</td>
<td>14</td>
<td>32.56</td>
<td>23</td>
<td>53.49</td>
<td>23</td>
<td>53.49</td>
</tr>
<tr>
<td>1999</td>
<td>49</td>
<td>14</td>
<td>28.57</td>
<td>20</td>
<td>40.82</td>
<td>24</td>
<td>48.98</td>
</tr>
<tr>
<td>1998</td>
<td>48</td>
<td>21</td>
<td>43.75</td>
<td>31</td>
<td>64.58</td>
<td>31</td>
<td>64.58</td>
</tr>
<tr>
<td>1997</td>
<td>35</td>
<td>12</td>
<td>34.29</td>
<td>17</td>
<td>48.57</td>
<td>19</td>
<td>54.29</td>
</tr>
<tr>
<td>January 16, 1996–December 31, 1996</td>
<td>24</td>
<td>13</td>
<td>54.17</td>
<td>13</td>
<td>54.17</td>
<td>18</td>
<td>75.00</td>
</tr>
<tr>
<td>Total</td>
<td>344</td>
<td>106</td>
<td>30.81</td>
<td>165</td>
<td>47.97</td>
<td>179</td>
<td>52.03</td>
</tr>
</tbody>
</table>

The results show that the rate at which trademark holders have been able to get injunctive relief on their dilution claims in district court has been dropping over time from an initial success rate of 54.17% in 1996 to 12.00% for the first half of 2005. Rates of relief on nondilution grounds
displayed greater fluctuation from year to year, but were higher than rates of relief on dilution grounds, in every year after 1996. Relief on nondilution grounds also dropped over time. The results from Table 1 are represented graphically in Figure 1. The linear trendlines of Figure 1 show that the rate of relief on dilution claims, the rate of relief on nondilution claims, and the overall relief rate have all decreased between 1996 and 2005. As can be seen from the slope of the trendline, the decrease in rates of relief on dilution claims is greater than the decrease in the rates of relief on nondilution grounds.

All but one of the results in 2003 occurred after the Supreme Court handed down its decision in *Moseley v. V Secret Catalogue, Inc.* By holding that trademark holders must prove actual harm rather than a likelihood of harm, *Moseley* made it more difficult for trademark holders to prevail. *Moseley* contributes to the decrease in trademark holders' success on dilution claims and continues the trend in which relief on dilution claims became harder to obtain.

![Figure 1: Relief in Reported FTDA Cases](image)

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Next, I wanted to test the degree to which the presence of domain names influenced the results. Recall that I excluded cases in which dilution was pleaded under the ACPA, but initially retained cases brought pursuant to the FTDA involving domain names. From 1996 to 1999, the only statute under which a trademark owner could bring a cybersquatting claim was the FTDA. The ACPA, which was passed in 1999, was tailor-made for cybersquatting claims, as its name suggests. After Congress passed the ACPA in 1999, the FTDA became a less popular ground on which to bring cybersquatting claims involving the dilution of a mark. As a result, we would expect my sample to contain more cybersquatting cases from 1996 to 1999 than from 1999 onwards. If judges find cybersquatting to be a particularly compelling reason for granting injunctive relief under dilution law, as some commentators have argued, then all else equal we would expect the rate of relief on dilution claims to drop starting in 1999.

To test the accuracy of this expectation, I removed cases involving a domain name from my sample. When cases involving a domain name are excluded, the sample size of reported cases drops to 290. Relief on dilution grounds was granted in 87 of these 290 cases, or 30.00% of the time. Trademark holders were able to obtain a remedy on a nondilution ground in 141 out of 290 of the cases in the sample, or 48.62% of the time. Finally, trademark holders were able to obtain relief on any ground in 151 out of 290 cases, or 52.07% of the time. Table 2 shows these results for each year in the time period I examined.

67. See supra notes 53–60 and accompanying text.
69. See Franklyn, supra note 6, at 138 n.133 ("Prior to the adoption of the [ACPA] in 1999, plaintiffs' claims were usually funneled into the dilution mold [of the FTDA].").
70. See, e.g., id. ("Judges did not like cybersquatting. They clearly thought it a form of free-riding that should be stopped. They therefore found little difficulty in stretching standard dilution law to achieve that end."); J. Thomas McCarthy, Proving a Trademark Has Been Diluted: Theories or Facts?, 41 Hous. L. Rev. 713, 724 (2004) (stating that "the early use of the antidilution act as a weapon against cybersquatters" contributed to the "acceptance of assumptions of injury without proof").
Table 2: Relief in Reported FTDA Cases, Excluding Domain Names

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of reported dilution cases</th>
<th>Relief granted on a dilution claim</th>
<th>Rate of relief on dilution claim (%)</th>
<th>Relief granted on nondilution grounds</th>
<th>Rate of relief on nondilution grounds (%)</th>
<th>Relief granted on any ground (dilution and nondilution)</th>
<th>Rate of relief on any ground (%)</th>
<th>Rate of relief on any ground (dilution and nondilution)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>39</td>
<td>6</td>
<td>15.38</td>
<td>20</td>
<td>51.28</td>
<td>20</td>
<td>51.28</td>
<td>51.28</td>
</tr>
<tr>
<td>2003</td>
<td>31</td>
<td>4</td>
<td>12.90</td>
<td>11</td>
<td>35.48</td>
<td>11</td>
<td>35.48</td>
<td>35.48</td>
</tr>
<tr>
<td>2002</td>
<td>35</td>
<td>9</td>
<td>25.71</td>
<td>14</td>
<td>40.00</td>
<td>14</td>
<td>40.00</td>
<td>40.00</td>
</tr>
<tr>
<td>2001</td>
<td>19</td>
<td>6</td>
<td>31.58</td>
<td>6</td>
<td>31.58</td>
<td>8</td>
<td>42.11</td>
<td>42.11</td>
</tr>
<tr>
<td>2000</td>
<td>30</td>
<td>8</td>
<td>26.67</td>
<td>16</td>
<td>53.33</td>
<td>18</td>
<td>60.00</td>
<td>60.00</td>
</tr>
<tr>
<td>1999</td>
<td>44</td>
<td>12</td>
<td>27.27</td>
<td>19</td>
<td>43.18</td>
<td>22</td>
<td>50.00</td>
<td>50.00</td>
</tr>
<tr>
<td>1998</td>
<td>42</td>
<td>17</td>
<td>40.48</td>
<td>28</td>
<td>66.67</td>
<td>28</td>
<td>66.67</td>
<td>66.67</td>
</tr>
<tr>
<td>1997</td>
<td>29</td>
<td>15</td>
<td>51.72</td>
<td>14</td>
<td>40.48</td>
<td>15</td>
<td>51.72</td>
<td>51.72</td>
</tr>
<tr>
<td>January 16, 1996–December 31, 1996</td>
<td>21</td>
<td>10</td>
<td>47.62</td>
<td>13</td>
<td>61.90</td>
<td>15</td>
<td>71.43</td>
<td>71.43</td>
</tr>
<tr>
<td>Total</td>
<td>290</td>
<td>87</td>
<td>30.00</td>
<td>141</td>
<td>48.62</td>
<td>151</td>
<td>52.07</td>
<td>52.07</td>
</tr>
</tbody>
</table>

When domain name cases were excluded, the rate of injunctive relief for dilution cases in the sample drops from 47.62% in 1996 to 9.52% for the first half of 2005. The results show that injunctive relief has become harder to obtain over time even when domain name cases are completely removed from the sample. Thus, we can reject the hypothesis that the drop in enforcement rates was driven entirely by parties bringing fewer domain name cases under the FTDA after 1999.
Figure 2: Relief in Reported FTDA Cases, Excluding Domain Names

Figure 3 directly compares rates of relief in the set of cases containing domain names with the rate of relief in the set of cases from which domain names have been removed.
FIGURE 3: COMPARISON OF RELIEF RATES FOR DILUTION CLAIMS IN SAMPLES INCLUDING AND EXCLUDING DOMAIN NAMES

2. State Courts. — Because state courts have concurrent jurisdiction over claims brought under the Lanham Act,71 I next searched for reported cases containing a dilution claim brought in state court under the Lanham Act since the passage of the FTDA. Once again, I eliminated all cases in which dilution was merely discussed but not explicitly asserted as a claim and all cases involving the use of the trademark in a domain name. There were no reported cases left after I imposed these parameters. This suggests that state courts are not playing a significant role in the enforcement of federal dilution claims or in the development of federal dilution law.

B. Filings

The cases I examined for the preceding results were reported decisions. Reported decisions are issued in only a fraction of all the cases brought. Although a survey of reported cases can produce a rough assessment of the kinds of results actually being obtained in dilution trials, we cannot necessarily assume that it is representative of the total number of

71. See Aquatherm Indus., Inc. v. Fla. Power & Light Co., 84 F.3d 1388, 1394 (11th Cir. 1996) (holding states share concurrent jurisdiction for Lanham Act claims); see also 5 McCarthy, Unfair Competition, supra note 45, at § 32:1 (explaining concurrent jurisdiction under Lanham Act).
dilution cases brought without also examining unreported filings.\textsuperscript{72} I next set out to compare the reported cases with the results obtained from unreported dilution filings.

1. Total Trademark Filings. — My first step was to examine public records available from the Administrative Office of the United States Courts (AO) to determine the total number of cases labeled as trademark cases for each year from 1996 to 2005.\textsuperscript{73} The AO compiles statistics on all cases filed and terminated in the federal courts. The data can be organized by subject matter and district. In the case of trademark infringement, the AO's code is "840."\textsuperscript{74} Thus, "trademark infringement filings" in this paper refers to cases coded "840" by the AO. From January 16, 1996 to July 16, 2005, there have been 33,488 filings labeled as trademark infringement cases by the Administrative Office.\textsuperscript{75}

2. Dilution Filings. — To test whether my set of reported cases was representative of dilution cases generally, I needed to compile a set of unreported cases in which a federal dilution claim had been pled. Because an allegation of dilution is just one claim out of many that a plaintiff could make in a trademark infringement suit, I needed to check the initial complaints to verify that dilution had been pled. For those filings in which dilution was pled, I then needed to check the docket to determine if injunctive relief had been granted on the dilution claim.

Using the Public Access to Court Electronic Records (PACER) database, I identified the ten judicial districts in the United States for which the largest number of trademark complaints were available for the years 1996 to 2005. To do this, I selected a judicial district and entered case type "840" and the relevant year as search parameters. The result would indicate how many filings had been labeled "840" by the AO for


\textsuperscript{73} AO data can be flawed both by Type I errors (coding a filing "840" when it is not a trademark case) and Type II errors (failing to code a filing "840" when it is a trademark case). See generally Kimberly A. Moore, Xenophobia in American Courts, 97 Nw. U. L. Rev. 1497, 1507–09 & n.34 (2003) (reporting "deficiencies in the Administrative Office data due to a lack of reporting or inconsistent reporting"). To control for overinclusion, I verified that each filing in my sample was truly a trademark case—and more specifically, a trademark dilution case—by examining the plaintiff's initial complaint. I could not control for underinclusion.

\textsuperscript{74} Although the AO defines the cases coded as "840" as "trademark" cases, they are actually only trademark infringement cases, and do not include appeals of administrative proceedings by the Patent and Trademark Office.

\textsuperscript{75} The breakdown of these filings by year appears in Appendix A of this Article. For data from 1996 through 2004, see Admin. Office of the U.S. Courts, Statistical Tables for the Federal Judiciary, vols. 1996–2004, tbl.C4 [hereinafter U.S. Courts, Statistical Tables]. I counted the number of filings for 2005 using the Public Access to Court Electronic Records (PACER) database. Admin. Office of the U.S. Courts, PACER Service Center, at http://pacer.psc.uscourts.gov/index.html. For 1996, I subtracted the number of filings from January 1 to January 15 (obtained from PACER) from the total number of trademark filings reported by the AO for that year.
that district in the chosen year. From this list, I identified the subset of cases for which the plaintiff's initial complaint was available. Relatively few complaints were available for cases filed before 2000. Starting in 2000, the number of filings for which a complaint was available increased markedly. I then repeated this process for each one of the 89 districts in the PACER database. The ten districts with the greatest number of trademark complaints available were the Northern District of California, the Southern District of California, the Middle District of Florida, the Northern District of Illinois, the District of Massachusetts, the Eastern District of Michigan, the Eastern District of New York, the Northern District of Ohio, the Northern District of Texas, and the Western District of Washington.

For the years 1996 to 1999, I examined every initial complaint that was available from these ten districts in order to get the largest possible pool of dilution filings. For each of the years 2000 through 2005, I examined a random sample of complaints. When selecting cases, I identified each filing by docket number to minimize bias. I looked to see whether relief was granted on the dilution claim by examining the docket for each case. As with my set of reported cases, I defined relief as including instances in which the trademark holder was granted summary judgment on the dilution claim, or was granted a preliminary injunction on the dilution claim and the parties settled before trial, or received permanent relief. If the district court granted a preliminary injunction and then failed to give permanent relief on a dilution claim in cases that went to trial, this did not count as a favorable outcome for the trademark holder on the dilution claim. If the result on the dilution claim was ambiguous, I discarded the filing from the database and drew another filing randomly. As with my reported cases, I counted each filing in the year in which relief was granted or denied. Data from PACER for 1996 through 1999 is considerably thinner than data after 1999, so for the years 1996 through 1999, I used every outcome for which a complaint and unambiguous docket were available. For the years 2000 through 2004, I used a sample size of 100 outcomes per year. For the period January 1, 2005 to July 16, 2005, I compiled a sample of 54 outcomes so as to keep the concentration of outcomes consistent with the years 2000 to 2004. Table 3 shows the results.

76. I limited the time period of each search to one year so as to avoid retrieving more than the allowable number of filings.
77. Data were not available for the District of Alaska and the District of New Mexico.
78. Because relatively few complaints in cases filed from 1996 through 1999 were available on PACER at the time I conducted this study, I was not able reliably to measure how frequently dilution was pled as a percentage of all trademark filings.
79. Had I selected cases by party name, I could potentially have been biased, however unconsciously, to choose cases with well-known party names. All else equal, parties with well-known names are more likely to have famous trademarks, and only famous marks are eligible for protection against dilution. 15 U.S.C. § 1125(c)(1) (2000).
Table 3: Rates of Relief on Federal Dilution Claims in Unreported Filings

<table>
<thead>
<tr>
<th>Year</th>
<th>Sample size (including domain names)</th>
<th>Cases granting relief on FTDA claim (including domain names)</th>
<th>Rate of relief on FTDA claim (%)</th>
<th>Sample size (excluding domain names)</th>
<th>Cases granting relief on FTDA claim (excluding domain names)</th>
<th>Rate of relief on FTDA claim (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2005–July 16, 2005</td>
<td>54</td>
<td>8</td>
<td>14.81</td>
<td>52</td>
<td>7</td>
<td>13.36</td>
</tr>
<tr>
<td>2004</td>
<td>100</td>
<td>25</td>
<td>25.00</td>
<td>93</td>
<td>20</td>
<td>21.51</td>
</tr>
<tr>
<td>2003</td>
<td>100</td>
<td>29</td>
<td>29.00</td>
<td>88</td>
<td>23</td>
<td>26.13</td>
</tr>
<tr>
<td>2002</td>
<td>100</td>
<td>32</td>
<td>32.00</td>
<td>87</td>
<td>23</td>
<td>26.44</td>
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<tr>
<td>2001</td>
<td>100</td>
<td>39</td>
<td>39.00</td>
<td>91</td>
<td>32</td>
<td>35.16</td>
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<td>2000</td>
<td>100</td>
<td>38</td>
<td>38.00</td>
<td>93</td>
<td>34</td>
<td>36.55</td>
</tr>
<tr>
<td>1999</td>
<td>66</td>
<td>30</td>
<td>45.45</td>
<td>51</td>
<td>23</td>
<td>45.10</td>
</tr>
<tr>
<td>1998</td>
<td>28</td>
<td>12</td>
<td>42.86</td>
<td>23</td>
<td>10</td>
<td>43.48</td>
</tr>
<tr>
<td>1997</td>
<td>17</td>
<td>7</td>
<td>41.18</td>
<td>17</td>
<td>7</td>
<td>41.18</td>
</tr>
<tr>
<td>January 16, 1996–December 31, 1996</td>
<td>21</td>
<td>8</td>
<td>38.10</td>
<td>20</td>
<td>7</td>
<td>35.00</td>
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<tr>
<td>Total</td>
<td>732</td>
<td>242</td>
<td>33.06</td>
<td>623</td>
<td>188</td>
<td>30.18</td>
</tr>
</tbody>
</table>

There were 732 dilution filings in my sample from January 16, 1996 to July 16, 2005. As with my set of reported cases, dilution was asserted as one of several claims in almost all the filings. Relief rates initially rose from 38.10% in 1996 to 45.45% in 1999, and trended downward thereafter to 14.81% in the first half of 2005. I then removed filings involving domain names from the sample. There were 623 filings left. Once again, relief rates briefly rose, this time from 35.00% in 1996 to 45.10% in 1999, ultimately dropping to 13.36% in the first half of 2005. Because a wider range and variety of relief is available for nondilution claims, because verifying relief on nondilution claims from the available dockets was considerably more difficult than verifying relief on dilution claims alone, and because trying to find unambiguous nondilution claim results would have greatly diminished the available sample size, the sample of unreported filings does not include results on nondilution claims.

Figure 4 presents a comparison of the sets of unreported filings, including and excluding domain names, with the sets of reported cases, including and excluding domain names. The outcomes for the reported cases and the unreported filings follow a similar pattern. In both the sets of reported cases and the sets of unreported filings, overall injunctive
relief rates drop over time, although the two sets of unreported filings (i.e., those with and without domain names) briefly trend upward from 1996 to 1999. From 1999 onward, injunctions are denied with greater frequency in the sets of reported cases than they are in the sets of filings.

Several things may affect the composition of my sample of dilution filings. Because one of the parameters I used was a filing date of January 16, 1996 or later, my sample does not include cases filed before January 16, 1996 whose pleadings were later amended to include a dilution claim. This may result in an underrepresentation of dilution cases for 1996 (and perhaps, although less so, for 1997) but is unlikely to be a problem for years after that. Also my results do not include cases in which dilution was asserted as a counterclaim by the defendant. This may also result in an undercount of dilution filings. Because of the nature of dilution law and its fame requirement, however, I do not expect that defendants will make dilution counterclaims frequently. Finally, although my sample of
filings was numerically larger than my sample of reported cases, it was drawn from a smaller number of districts. If plaintiffs are forum-shopping for favorable districts in which to file, drawing filings only from the ten districts in which the most trademark cases are filed may create a sample biased in favor of trademark holders when compared with reported cases.

3. Jury Trials. — I wanted to test whether jury trial results were different from bench trial results for dilution claims. Nationwide, 564 trademark infringement cases (reported and unreported) have reached trial from 1996-2004 inclusive. Of these, 247 cases, or 44.38%, have been tried to a jury. Because dilution is only one theory of infringement, not all these trademark infringement jury trials will involve dilution claims. Of the trademark infringement cases that do result in a jury trial, the jury may still not get to decide the dilution claim because of the nature of relief. Nonetheless, there have been a small handful of dilution cases tried to a jury since 1996. Juries reached a verdict on the dilution claim in only two cases in my sample. The jury found dilution to have occurred in one of these two cases. This is too small a sample for juries to have a significant effect on enforcement rates in the dilution filings I examined. It is also too small a sample to draw any robust conclusions comparing juries’ preference for dilution claims with judges’.

C. Why the Changing Pattern of Enforcement?

The number of published dilution cases since 1996 in which relief has been granted and upheld if appealed is smaller than one might have expected given the wording of the statute. The number of injunctions granted has been dropping as well. Unreported filings follow a similar pattern. One would predict that parties would adjust their expectations of success over time. If injunctions are becoming harder to get, then why are parties not adjusting their expectations, albeit with a lag, to new information and settling the weaker cases?

80. See U.S. Courts, Statistical Tables, supra note 75, at tbl.C-4.
81. See id. For jury trial results, see infra Appendix B.
82. See Ringling Bros.-Barnum & Bailey CombinedShows v. Utah Div. of Travel Dev., 955 F. Supp. 598, 603 (E.D. Va. 1997) (“[W]here only an injunction is available to remedy dilution, the Seventh Amendment does not compel a jury trial.”). As the court in Ringling Brothers observed: “[T]he Act's pertinent language makes clear the essentially equitable nature of the dilution claim and therefore reflects Congressional intent to commit the dilution cause of action to a court without a jury.” Id. at 600.
84. See supra Tables 1 & 2.
85. See supra Tables 1 & 2.
86. See supra Table 3.
1. Evolution in Case Quality. — One hypothesis could be that the easiest dilution cases were brought first. On this theory, there may have been a pent-up demand for a statute that would make it easier to sue unauthorized users of a mark in cases where consumers were not confused about whose trademark was whose. Perhaps the easy cases of trademark dilution were disposed of in the first few years after passage of the FTDA; now more marginal cases are being brought. Although it is possible that most of the strong dilution cases were brought first, such an explanation lacks traction. Indeed, if anything, the average quality of dilution claims has risen over time. Recall that famousness is a requirement of the statute.\textsuperscript{87} The famousness of marks in most recent cases (2001–2005) seems less questionable than in earlier cases (1996–1997). The few dilution cases in which injunctive relief has been granted in recent years involve marks that are more obviously famous in the sense of being known to a nationwide audience, such as GENERAL MOTORS and NIKE.\textsuperscript{88} The dilution claims for which injunctive relief was granted in the early years of the statute did not always involve the kinds of marks one might expect to be declared famous. Examples include INTERMATIC,\textsuperscript{89} GAZETTE,\textsuperscript{90} NAILTIQUES,\textsuperscript{91} TELETECH,\textsuperscript{92} WAWA,\textsuperscript{93} and various variations on PAPAL VISIT 1999.\textsuperscript{94} Similarly, the cases brought (not just won) in the early years involve a higher percentage of marks of marginal fame or merely niche market fame. This remains true even when domain name cases are eliminated from the sample. Over time the average fame of the marks being litigated has been increasing, and the quality of cases along this margin of measurement has been rising. Given that fewer marginal-quality dilution cases have been brought in recent years, it appears that trademark holders are responding to the changes in the law, even if they

\textsuperscript{89} Intermatic Inc. v. Toeppen, 947 F. Supp. 1227, 1239 (N.D. Ill. 1996) (declaring INTERMATIC famous for electrical products).
are not fully internalizing them. All else equal, one would expect to see injunctive relief rates stabilizing over time as trademark holders adapt. If the average quality of dilution cases (measured by the recognizability of the mark) appears to be rising but injunction rates are still falling, perhaps other factors are at work.

2. Dilution as a Makeweight. — Why are trademark holders failing to adapt fully to the falling relief rates? Parties probably are not calculating their likelihood of success on the basis of their dilution claims. In my samples of reported cases and unreported filings, dilution claims were almost always brought in conjunction with other trademark claims. Most often these were classic infringement claims: The defendant is alleged to be using the trademark in a way that is likely to cause confusion among consumers.95 Thus, one possible explanation for dilution claims still being brought despite falling relief rates is that trademark owners do not expect dilution claims to do the heavy lifting. Most plaintiffs are likely using classic trademark infringement claims to predict their chances of prevailing in the suit; dilution is just a fillip on the side. Pleading dilution as an additional claim will present low marginal costs to the trademark holder in most cases. Even if a dilution claim gives the trademark holder only a small increment of leverage in forcing a settlement, that leverage coupled with the additional costs to the defendant will often make it worthwhile to bring even a weak dilution claim.

This is not to say that all plaintiffs are bringing dilution claims lightly. Many trademark infringement plaintiffs do not assert dilution claims at all. Because of the FTDA's fame requirement, dilution simply is not an issue for many plaintiffs. Furthermore, assertion of a dilution claim is not completely costless. Risk averse trademark holders who expect they will be repeat players in trademark enforcement actions have incentives not to bring marginal dilution claims. Because one of the requirements for success on a dilution claim is that the mark be famous, a trademark holder who loses a dilution claim for lack of a famous mark is unlikely to succeed on any other dilution claim involving that mark in the foreseeable future if that claim is marginal on the fame issue. (The converse is also true: A trademark holder whose mark is declared famous in one suit may benefit from that result in later suits if the later claim is marginal on the fame issue.) Trademark holders who own marks with emerging but not yet solidified fame are likely to think twice before asserting a dilution claim.

3. Legal Evolution. — One factor that has traction for explaining the diminishing success rate of dilution claims in reported and unreported cases generally is the change in dilution law over time. In the years since dilution was added to the Lanham Act, more than just judicial enforcement rates have dropped. Judicial enthusiasm for dilution as a theory of infringement has diminished as well. In the process, interpretation of

dilution law has changed substantially. Indeed, perhaps the most noticeable evolution in dilution law over time is the degree to which courts have progressively interpreted the statute so as to make injunctive relief harder to obtain, a development the next Part of this Article discusses.

For years, each circuit has in its own way pushed the evolution of dilution law along. The outcome across most circuits is substantially the same: Over time dilution claims have become harder to win. But from 1996 to 2003, the variance in interpretation across circuits over time increased rather than decreased. Some order was brought to the blossoming variety of interpretations of dilution law in 2003 when one of the numerous mechanisms the various circuits had developed for reining in many dilution claims finally worked its way up to the Supreme Court. *Moseley v. V Secret Catalogue, Inc.* put a damper on many dilution claims by establishing that trademark holders must prove actual harm rather than a likelihood of harm. Nevertheless, dilution law is still evolving and varies from circuit to circuit.

III. IMPLICATIONS

On its face, dilution appears to be a powerful form of trademark protection, which may be one source of its fearsome reputation. But appearances belie the reality, at least as to relief in recent years. In the early years of federal dilution law, courts often enforced the statute as written. Over time, however, they have looked upon dilution claims with increasing disfavor. Courts have not just been increasingly declining to enforce dilution claims; they also have been busy creating statutory limitations and erecting barriers to recovery, thereby assuring that the results will stick. This Part explores some of the reasons for dilution law’s unpopularity with the judiciary. It first considers the harm this form of trademark protection is attempting to prevent and argues that the ambiguous nature of dilution’s harm is one of the reasons for the judiciary’s increasing unwillingness to enforce dilution claims. Then it turns to some additional factors that underlie the judiciary’s discomfort with dilution.

A. Defining Dilution’s Harm

Why have judges become increasingly chary of dilution law over time? With a few exceptions, they have not clearly articulated their reasons. Often they are reduced to justifying denial of relief with such statements as, “the interests here are not the interests at the core of what Congress intended to protect in the FTDA” or “we think it highly unlikely that Congress intended to extend to [weaker] marks the expanded

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rights conferred by the Dilution Act." 99 It is almost as if judges can sense indirectly the existence of problems created by dilution law even if they cannot define clearly the sources of tension. At the same time, however, courts do recognize that dilution as a form of protection is not entirely without benefits. Whether dilution protection results in a net increase or decrease in social welfare in any particular case is an empirical question and is not one this Article attempts to answer. But it does explore some of the harms that dilution law may be attempting to address and shows that the elusive nature of these harms is contributing to judicial disfavor toward dilution claims.

1. Why Are Trademarks Valuable? — Assume the value of a trademark stems from two sources. First, trademarks serve as source identifiers for consumers and thereby reduce consumer search costs. 100 Classical trademark theory is directed at protecting this source of trademark value. Producers of competing goods differentiate their goods in various ways, often by varying the attributes of the good. For example, Coke has more orange-flavored undertones while Pepsi tends toward lemon-based notes. Coke has a higher degree of carbonation whereas Pepsi is sweeter. 101 Some of the attributes of goods are readily observable; others cannot be assessed simply by inspection of the good. On this view, the less readily observable the product attributes, the greater the social value of trademarks. Because a trademark can be used by consumers as a proxy for a set of hard-to-measure product attributes, the identification function of trademarks is especially important for experience goods, or goods that yield information about their qualities over time. 102 For example, a particular model of car is an experience good because latent defects or performance advantages generally become apparent only after purchasers have used the car for some time. By contrast, inspection goods such as produce readily yield information about their attributes, often by casual observation. 103 Trademarks are less valuable in reducing search costs for inspection goods. Consumer benefit, and by extension social benefit, is enhanced by making sure that when consumers rely on source identifiers, such marks are not used in a confusing manner. The social cost is that competitors of a trademark holder incur avoidance costs; they must create their own nonconfusing trademark.

Second, trademarks are valuable for the goodwill they embody. This is the source of value that dilution law attempts to protect. Consumers come to have opinions about the products they consume or encounter

99. TCPIIP Holding Co. v. Haar Commc'ns Inc., 244 F.3d 88, 95 (2d Cir. 2001).
100. See supra note 28 and accompanying text.
101. For a discussion of the differences between Coke and Pepsi drinks and an example of how a consumer taste test is performed, see Frederick J. Thumin, Identification of Cola Beverages, 46 J. Applied Psychol. 358, 358–59 (1962).
102. For a discussion of experience goods and inspection goods, see Landes & Posner, Economic Structure, supra note 30, at 117 n.51.
103. See id.
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and by extension about the trademarks associated with these products. These opinions can influence their future purchasing decisions about products associated with the trademark. If the opinions are positive, the trademark holder stands to reap the benefit, so long as it can continue to control the way in which the mark is used. Conferring on trademark holders the power to exclude third parties from nonconfusing uses of the marks allows mark owners to reap the benefits of their investment in product quality.

2. What Kind of Harm is Caused by Third-Party Use? — When it passed the FTDA, Congress emphasized that it was trying to protect the goodwill surrounding famous marks.\textsuperscript{104} But how exactly does unauthorized (but nonconfusing) third-party use of a mark damage the mark’s goodwill? Consider three possible types of harm that could arise from unauthorized use of a mark.

The first type of harm, tarnishment, occurs when a third party uses the mark to cast aspersions on the markholder. On a tarnishment theory of harm, the goodwill surrounding a mark is diminished because consumers now associate the mark with an unwholesome product (usually pornography or drugs).\textsuperscript{105} On the harm side of the social welfare equation, the relationship between unauthorized third-party use and the mark’s loss in value to the trademark holder is the strongest and most direct under a tarnishment theory of dilution. The calculus surrounding the benefits of tarnishing use, however, is more nuanced. Trademark holders are likely to characterize many critical or unappealing third-party uses of their mark as tarnishing, but that does not mean that the net social benefit of the third-party use is negative. Unauthorized nonconfusing third-party use of a trademark for criticism, social commentary, parody, or other speech-related purposes can have positive social benefits that outweigh the harm to the trademark holder. Recognizing this, the ETDA exempts comparative commercial advertising, news reporting, and news commentary from the ambit of actionable harm.\textsuperscript{106}

Tarnishment is generally not a popular theory of dilution among trademark plaintiffs. Courts have tended not to favor a tarnishment theory of dilution either.\textsuperscript{107} Perhaps this is because critical or derogatory third-party uses of a trademark often have speech implications, which can

\textsuperscript{104} See H.R. Rep. No. 104-374, at 3 (1995), reprinted in 1995 U.S.C.C.A.N. 1029, 1030 (stating that FTDA would “create a federal cause of action to protect famous marks from unauthorized users that attempt to trade upon the goodwill and established renown of such marks”).


\textsuperscript{107} See, e.g., Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 432 (2003) (“Whether [tarnishment] is actually embraced by the statutory text [of the FTDA], however, is another matter.”).
tip the social welfare calculus in favor of the third-party use. For example, when testifying before Congress, a Warner Brothers witness used the real-life example of a third party portraying cartoon figure Bugs Bunny smoking a marijuana cigarette as trademark dilution harming Warner Brothers' image. The witness described this as a "counterfeit" use of the mark rather than tarnishment. Perhaps Warner Brothers framed the example as counterfeiting because true counterfeit goods often present an example of demonstrable social harm whereas tarnishment cases frequently present issues of parody or criticism, which can have positive social benefits.

A somewhat more ambiguous case of harm to the trademark holder is blurring, which occurs when a third party uses a famous mark to identify its own product in a nonderogatory way. The classic example is the mark TIFFANY being used as the name of a restaurant. Assume it is an upscale restaurant, so that tarnishment by association with low-quality goods is not an issue. Customers are unlikely to confuse the jewelry store with the restaurant, but the same name is now being used to identify two different products. Whereas tarnishment presents a relatively clear case of harm to the trademark holder but also a greater chance of positive social value arising from the third-party use, blurring by contrast presents a case where the harm to the trademark holder and the social benefit of allowing the unauthorized third-party use are both hard to identify.

Commentators have argued that blurring can harm consumers by increasing search costs because it increases the cognitive costs to consumers of identifying the context in which a mark is used. Blurring occurs when, for example, the use of TIFFANY for a restaurant causes consumers to devote more mental energy to distinguishing the use of TIFFANY for the jewelry store. If use of the same mark by two different parties on unrelated goods increases consumers' search costs—and there is some empirical evidence that blurring does increase search costs in some cases—harm may be demonstrable from a consumer's perspective, but


109. See id. at 103 ( "I spend a lot of my life chasing people who counterfeit T-shirts and the like . . .").

110. See, e.g., Ty Inc. v. Perryman, 306 F.3d 509, 511 (7th Cir. 2002).

111. See Maureen A. O'Rourke, Defining the Limits of Free-Riding in Cyberspace: Trademark Liability for Metatagging, 33 Gonz. L. Rev. 277, 306–07 & n.114 (1998) ("Dilution by blurring is concerned with preventing the erosion of the distinctiveness of the mark because of its use on non-related products. The 'noise' that this creates around the mark may increase consumer search costs.").

112. See, e.g., Maureen Morrin & Jacob Jacoby, Trademark Dilution: Empirical Measures for an Elusive Concept, 19 J. Pub. Pol'y & Marketing 265, 274 (2000) (showing that even when consumers correctly matched trademarks with products, they took longer to do so if mark was associated with more than one product).
it is less clear from a producer's perspective. In the absence of confusion
or tarnishment, how has a trademark holder been harmed simply be-
cause consumers now associate its mark with more than one source or
product? One response is that consumers may have to share their atten-
tion between two sources or products associated with the same mark—for
example, the restaurant and the jewelry store—and will devote less atten-
tion to the jewelry store. To say that this injures the jewelry store, how-
ever, presupposes that it has a right to a consumer's attention span, an
argument that is hard to make with a straight face. Some scholars have
argued that harm to consumers is the only appropriate measure of harm
for dilution law,\footnote{Stacey L. Dogan \\& Mark A. Lemley, Trademarks and Consumer Search Costs on the Internet, 41 Hous. L. Rev. 777, 790-91 (2004) [hereinafter Dogan \\& Lemley, Trademarks and Consumer Search Costs] ("[D]ilution—at least as properly understood—turns on injury to the informative value of a mark." (footnote omitted)).} and that dilution of a mark causes no harm unless
consumers experience higher search costs.\footnote{Daniel Klerman, Trademark Dilution, Search Costs, and Naked Licensing, 74 Fordham L. Rev. 1759, 1766-67 (2006) (arguing that if use of same trademark on two different products does not increase search costs, there is no harm).} If so, blurring is the easier
case and tarnishment the harder one, because the more startling the jux-
taposition of a famous mark on an undesirable product, the lower the
cognitive costs necessary to keep the two products distinguishable in the
consumer's mind. One of the conceptual problems of tarnishment, how-
ever, is that it can also be explained as a subset of blurring since it
reduces the distinctiveness of the trademark by associating it with two dif-
ferent products, even in the absence of confusion.\footnote{Ty Inc., 306 F.3d at 511 ("Analytically [tarnishment] is a subset of blurring . . .").}

Dilution law may contemplate a third harm, in addition to tarnish-
ment and blurring: that of free riding.\footnote{Franklyn, supra note 6, at 117 ("While American dilution law purports to be about preventing dilutive harm, it really is about preventing free-riding on famous marks.").} The FTDA created a trade-
mark entitlement that allowed holders to control a broad range of uses of
the mark, the violation of which would be similar to trespass.\footnote{2 McCarthy, Unfair Competition, supra note 45, § 24:13, at 24-213 ("The underlying rationale of the dilution doctrine is that the gradual diminution or whittling away of the value of a trademark, resulting from use by another, constitutes an invasion of the senior user's property right and good will in his mark and gives rise to an independent wrong.").} Congress
may have intended to let trademark holders internalize the positive exter-
nalities created by their famous marks and, by extension, to create incen-
tives to increase the supply of famous marks. (Congress's rationale begs
the question of whether there is an undersupply of famous marks, or
whether preexisting incentives to create famous marks are insuffi-
cient.) At the time of the FTDA's passage, one witness testifying before

\begin{itemize}
  \item \footnote{Stacey L. Dogan \\& Mark A. Lemley, Trademarks and Consumer Search Costs on the Internet, 41 Hous. L. Rev. 777, 790-91 (2004) [hereinafter Dogan \\& Lemley, Trademarks and Consumer Search Costs] ("[D]ilution—at least as properly understood—turns on injury to the informative value of a mark." (footnote omitted)).}
  \item \footnote{Daniel Klerman, Trademark Dilution, Search Costs, and Naked Licensing, 74 Fordham L. Rev. 1759, 1766-67 (2006) (arguing that if use of same trademark on two different products does not increase search costs, there is no harm).}
  \item \footnote{Ty Inc., 306 F.3d at 511 ("Analytically [tarnishment] is a subset of blurring . . .").}
  \item \footnote{Franklyn, supra note 6, at 117 ("While American dilution law purports to be about preventing dilutive harm, it really is about preventing free-riding on famous marks.").}
  \item \footnote{2 McCarthy, Unfair Competition, supra note 45, § 24:13, at 24-213 ("The underlying rationale of the dilution doctrine is that the gradual diminution or whittling away of the value of a trademark, resulting from use by another, constitutes an invasion of the senior user's property right and good will in his mark and gives rise to an independent wrong.").}
  \item \footnote{But see Jessica Litman, Breakfast with Batman: The Public Interest in the Advertising Age, 108 Yale L.J. 1717, 1730 (1999) ("An argument that we would have an}
Congress stated that enactment of the FTDA "would recognize that the preservation of a mark's uniqueness or singularity is a valuable property right."\textsuperscript{119} Another witness argued that "[t]he basic point [of dilution law] is that the trademark owner who has spent the time and investment needed to build up the goodwill in these marks should be the sole determinant of how the marks are used in a commercial sense" and urged Congress to treat dilution as "a form of trespass on property."\textsuperscript{120} Congress's reference to trademark owners' "substantial investment" in their marks, and the "aura" and "goodwill" surrounding a mark, suggests that the legislature bought this rationale.\textsuperscript{121}

On this view, famous marks present a classic public goods problem. The cost of creating a public good—in this case a valuable mark with positive consumer associations—is high, but once the public good is created the cost to third parties of using it is low.\textsuperscript{122} In the absence of a right to exclude, creators of famous marks will not be able adequately to internalize the benefits of creating such marks and will therefore underproduce such marks. Exclusionary rights would allow creators of famous marks a greater opportunity to enjoy the profits associated with their marks, thus creating incentives to produce and maintain famous marks. Indeed, some commentators have identified free riding on the goodwill of a trademark as a source of dilution's harm.\textsuperscript{123} If this is the case, then dilution law may also be directed at preventing third parties from simply using, and in the process benefiting from association with, a famous mark.\textsuperscript{124}

The harm of free riding is not easy to identify. The Congressional testimony pertaining to the passage of the FTDA suggests that some advocates were concerned with making sure rivals did not get a competitive advantage.\textsuperscript{125} As one witness stated: "Diluting [users] of famous trade-undersupply of good commercials if advertisers were not given plenary control over the elements in their ads cannot be made with a straight face."\textsuperscript{119}

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\textsuperscript{119} Trademark Dilution Act Hearings, supra note 108, at 73 (statement of Mary Ann Alford, Vice President and Assistant General Counsel, Intellectual Property, Reebok International Ltd., and Executive Vice President, International Trademark Association).

\textsuperscript{120} Id. at 102 (statement of Nils Victor Montan, Vice President and Senior Intellectual Property Counsel, Warner Brothers.).


\textsuperscript{123} See Franklyn, supra note 6, at 117 (arguing that U.S. dilution law "really is about preventing free-riding on famous marks").

\textsuperscript{124} See H.R. Rep. No. 104-374, at 3 (noting that these laws "protect famous marks from unauthorized users that attempt to trade upon the goodwill and established renown of such marks").

\textsuperscript{125} See, e.g., Trademark Dilution Act Hearings, supra note 108, at 94 (statement of James K. Baughman, Assistant General Counsel, Campbell Soup Co.) ("Piggy-backing on
marks typically derive a commercial benefit from the dilution. Doing business under a well recognized brand provides the junior user with the sort of name recognition and brand imagery that can create a tangible competitive advantage in its own marketplace." 126 If this is so, then the harm from dilution is that a third party gets a competitive boost from using the famous mark. This argument implies that the mark creates a positive externality that the trademark holder cannot completely capture, so another user ought not to benefit from it either. Underlying this argument are the assumptions that a third party who derives a competitive benefit from the use of a famous mark without permission must be inflicting a harm on the trademark holder and that this harm should be prohibited. One problem with this argument, however, is that a third-party user accused of dilution does not need to be a competitor of the trademark holder. 127 If the third party is not a competitor of the trademark holder and is deriving a benefit from the mark in its own unrelated market, the harm inflicted on the trademark holder is attenuated at best.

If one goal of dilution is to prevent free riding, then dilution law starts to look somewhat like a right of publicity for corporations, which will be the owners of most famous trademarks. Both regimes recognize reputation as a valuable asset. A right of publicity, which is recognized in some states, prohibits the misappropriation of an individual's persona—usually name or likeness—for commercial purposes. 128 Justifications for the right of publicity are often couched in terms of preventing free riding. 129 Fame is a relevant element under both regimes. An individual's fame is often a proxy for the commercial value of his or her persona. The personas of people who are not famous are less recognizable and therefore unlikely to be subject to misappropriation. And like rights of publicity, dilution law confines itself to commercial contexts. 130

Some important considerations should give us pause, however, before we import free riding-based justifications for the right of publicity into dilution law. Only persons have rights of publicity and such rights

the reputation of a famous trademark will, consequently, gradually erode the goodwill attached to the trademark, but it will also give the junior user an unfair, long lasting and valuable competitive advantage.

126. Id. at 93.

127. Dilution law is not limited to competing products or firms. See 15 U.S.C. § 1127 (2000) (stating that dilution may occur even in absence of competition between trademark owner and third-party user).

128. See Restatement (Third) of Unfair Competition § 46 (1995) ("One who appropriates the commercial value of a person's identity by using without consent the person's name, likeness, or other indicia of identity for purposes of trade is subject to liability."); see also Zacchini v. Scripps-Howard Broad. Co., 433 U.S. 562, 576 (1977) ("[T]he protection provides an economic incentive for him to make the investment required to produce a performance of interest to the public.").

129. See Franklyn, supra note 6, at 143 n.152 ("The anti-free-riding impulse . . . also finds expression in the right of publicity.")

usually terminate upon the individual's death, whereas dilution law confers rights on corporations, which are immortal legal actors. Thus, not only are the rightsholders different, but the temporal reach of dilution law's protection is potentially longer than that of the right of publicity. Also, unlike personas, trademarks are communication goods by their very nature. Because trademarks have communicative functions, granting trademark holders the right to control all uses of their marks would create social costs along many margins, not least of which is stifling speech and communication. Thus, careful limits need to be placed on dilution as an entitlement.

One way to limit dilution law is to confine protection to the most valuable marks. Not all marks will be equally valuable. If dilution law is intended to protect against harm to a valuable mark, or additionally to provide incentives to create valuable marks, then there must be a proxy for a mark's value. Fame is one such proxy. Marks are cheap to create, so we most likely do not need incentives for mark-creation per se. What is expensive is creating a mark that is both well known and well regarded. By limiting protection to famous marks, the statute attempts to identify those marks whose costs to create and maintain will be high. Fame is subjective and hard to define, so Congress explicitly left to the courts the determination of which marks are famous.

Courts have struggled, and continue to struggle, to identify the harm dilution law is trying to prevent. The elusiveness of the injury has contributed to the judiciary's increasing unwillingness to enforce dilution claims. The nature of dilution's harm came to the fore in Moseley v. V Secret Catalogue. In Moseley, the Supreme Court concluded that protection of consumers is not the primary purpose of the FTDA, but what harm trademark holders must suffer in order to recover remains unclear. Moseley held that plaintiffs in dilution cases must prove "actual dilution." Most courts and commentators since have interpreted this as requiring proof of actual harm, but key questions remain unanswered: What harm must plaintiffs show? How great must the harm be before a trademark holder can get a remedy? When will harm to a trademark holder be offset by the social benefit of allowing the use?

132. See 15 U.S.C. § 1125(c)(1) (indicating that courts are not limited to famousness factors listed in statute).
134. See id. at 429 ("Unlike traditional infringement law, [passage of the FTDA was] not motivated by an interest in protecting consumers.").
135. Id. at 433.
B. The Social Welfare Calculus

Courts often appear to be balancing the harms and benefits of enjoining unauthorized third-party use of a mark. There is a discrete set of instances in which the benefits of the dilution form of protection outweigh the costs, but a larger set of circumstances in which dilution law creates a net social cost. Thus, it becomes important not just to confine enforcement to social welfare-enhancing instances, but also to recognize the forces that will push cases in one direction or the other. The dilution statute, however, contains few mechanisms to separate welfare-enhancing from welfare-diminishing cases. Adjudicators seeking to justify recovery in one circumstance but not another must often look outside the few limitations of the statute.

One circumstance in which the net social benefits of dilution enforcement will often outweigh the net social costs arises when a third party is using a counterfeit mark. This is not to say that counterfeiting is the only instance when the costs of allowing infringement under a dilution theory will outweigh the benefits, just that it is a readily identifiable one. Some commentators have argued that classic trademark law is sufficient to handle counterfeit trademarks. If this is not the case, however—and the successful use of dilution claims to enjoin counterfeiters suggests that dilution law does have a role to play in combating counterfeiting—and even assuming consumer confusion is not an issue, the social benefits from falsely labeling a generic watch ROLEX are likely to be outweighed by the social costs resulting in the diminution in value of the mark when attached to a real ROLEX brand watch.

Consider the harms and benefits to trademark holders from the unauthorized use of their mark on another's goods. The costs to trademark holders can be positive, zero, or negative (i.e., trademark holders are benefited by third-party use). Costs to the trademark holder are positive when, for example, unauthorized third-party use of a trademark diverts sales because consumers buy a cheaper product bearing a counterfeit mark rather than pay a higher price for the authorized version. The markholder may suffer a cost because unauthorized third-party use diminishes positive consumer perceptions of the trademark. Conversely, it is possible (albeit unlikely) for a trademark holder to be benefited by a third party's unauthorized use of the mark if the use gives the mark more

137. See, e.g., Nike, Inc. v. Variety Wholesalers, Inc., 274 F. Supp. 2d 1352, 1372 (S.D. Ga. 2003) (holding that defendant's sale of clothing bearing counterfeit NIKE marks identical to plaintiff's legitimate marks was dilution); see also Landes & Posner, Economic Structure, supra note 30, at 208-09 (arguing that purchasers of counterfeit copies of a good blur signal of desirable characteristics given out by purchasers of genuine good).

138. See, e.g., Klerman, supra note 114, at 1762 n.9 ("[K]nockoffs can be controlled through traditional trademark infringement law, so recourse to dilution is unnecessary.").

"airtime" in front of consumers. 140 For this to be true, we have to assume that the determining factor of a mark's value is the quantity rather than the quality of publicity a mark receives.

How can an adjudicator tell if there is harm to the trademark holder from the unauthorized use? A quick proxy for there being harm to the trademark owner is the suit itself. If a trademark holder seeks injunctive relief, it probably believes it experiences harm from the unauthorized third-party use. The harm may be indirect or attenuated, such as the impression that the trademark holder is unlikely to enforce other legal rights if it does not enforce its intellectual property rights, but indirect harm is nonetheless harm.

Against any putative harms to the trademark holder must be weighed the costs and benefits to consumers of counterfeit marks. Suppose consumers are getting satisfaction from buying goods with counterfeit trademarks that they think are genuine. Although it is theoretically possible that fooling consumers results in a net social benefit, such a circumstance is unlikely. Cases of consumer confusion provide even fewer social benefits than cases in which consumers are not confused, all else equal, and present an even stronger argument for enforcement of trademark rights. 141 Suppose instead it is potential consumers (but not the direct buyers of the falsely branded goods) who are confused about whether a good is the genuine article. One reason consumers knowingly buy counterfeit goods is because friends, relations, or other observers will be fooled into thinking the good is genuine. Such purchasers are trying to signal that the goods—or perhaps by extension, the purchasers themselves—have positive characteristics they do not necessarily possess. 142 Although there may be advantages to allowing purchasers to reap the benefits of false signaling, this must be balanced against the harm to third parties from being fooled, coupled with the harm to trademark holders from the potential unraveling of the high-quality signal that the trademark sends.

What if consumers are not confused? Assume neither the original purchaser nor potential consumers who see a falsely branded good after purchase are confused as to its counterfeit nature. What would it take for the social benefits of the counterfeit mark to exceed the social costs? Consumer utility that arises from the counterfeit good's lower cost—or

140. See, e.g., Dreamwerks Prod. Group, Inc. v. SKG Studio, 142 F.3d 1127, 1129 (9th Cir. 1998) (discussing possibility, in likelihood of confusion context, that harm to plaintiff trademark holder might be "somehow offset by any extra goodwill plaintiff may inadvertently reap as a result of the confusion between its mark and that of the defendant").


more specifically from the cost-to-quality ratio being lower than the cost-
to-quality ratio of the genuine article—does not depend on the presence
of the false trademark. Such benefit should not enter into the social wel-
fare calculation surrounding dilution law.

Consumers might derive psychic satisfaction from counterfeit marks
that fool no one. Consumers may derive utility from the "look-alike" fac-
tor of the counterfeit good. Perhaps they find the mark aesthetically
pleasing even in its unauthorized form and do not want to pay full price
for the genuine mark.143 But if a trademark is so aesthetically pleasing
that consumers do not care about its source-identification function and
are not using the mark as a source identifier, then trademark protection
is probably inappropriate to begin with.144 Consumers might also derive
satisfaction from the exclusivity and scarcity of a trademarked good, a
scarcity that counterfeit copies diminish.145 Offsetting the benefit to con-
sumers of the counterfeit good from sharing in the feeling of exclusivity
are the costs incurred by existing or potential owners of the noncounterfeit
good who seek a new status good to consume—one whose scarcity remains acute.146

Instances of parody and satire (to the extent we can even call the use
of such marks counterfeiting), in which consumers are not fooled as to
the provenance of the mark yet they derive utility from the fact that the
mark is not the real thing, can yield a net positive social benefit.147 If the
social benefit is positive, trademark holders should lose on their dilution
claims. Excluding parody, satire, and other forms of (truthful) communi-
cation using the mark, in most cases the harm to trademark holders from
the counterfeit uses of their marks will be positive and the net social ben-
efit to consumers small. Counterfeiting cases, therefore, present one ex-
ample where injunctive relief on a dilution claim usually ought to be

143. See Alex Kozinski, Trademarks Unplugged, 68 N.Y.U. L. Rev. 960, 961 (1993)
(arguing that there is "growing tendency to use trademarks not just to identify products
but also to enhance or adorn them, even to create new commodities altogether").

144. See, e.g., Publ'ns Int'l, Ltd. v. Landoll, Inc., 164 F.3d 337, 342 (7th Cir. 1998)
("Gold is a natural color to use on a fancy cookbook."); Pagliero v. Wallace China Co., 198
F.2d 339, 343-44 (9th Cir. 1952) (stripping away trademark protection when aesthetically
pleasing nature of trademark conferred market power over good itself). For a slightly
unusual take on aesthetic functionality, see Plasticolor Molded Prods. v. Ford Motor Co.,
713 F. Supp. 1329, 1335 (C.D. Cal. 1989) (stating in dictum that use of FORD on
automobile floor mats by maker of replacement floor mats is "functional" because it is
"designed to help the mats contribute to a harmonious ensemble of accessories and
decorate the interior of a car"), vacated after settlement and consent decree, 767 F. Supp.

145. Such goods are known as Veblen goods. See Dogan & Lemley, Merchandising
Right, supra note 38, at 491-92 (discussing Veblen goods).

146. See Richard S. Higgins & Paul H. Rubin, Counterfeit Goods, 29 J.L. & Econ. 211,
214 (1986) (arguing that counterfeit goods harm consumer expectations about social
signal of owning good).

147. Cf. Trademark Dilution Act Hearings, supra note 108, at 103 (statement of Nils
Victor Montan, Vice President and Senior Intellectual Property Counsel, Warner Brothers)
(referring to example of parody of Bugs Bunny and Tasmanian Devil as counterfeiting).
granted. For the most part, courts of late have been getting this result right. In recent years, the dilution claims that do get injunctive relief often involve counterfeit goods.\textsuperscript{148}

The net costs of such control over a trademark must be weighed against the net benefits. If, for example, trademark holders were allowed to enjoin truthful criticism or discussion of their trademarks by others, this would create a social cost in the form of diminished truthful speech. Recognizing this, the dilution statute creates privileges for comparative advertising by competitors using the trademark, for media use of the trademark, and for noncommercial use of the mark.\textsuperscript{149} But even with these limitations, the social costs of dilution law may still exceed the social benefits of allowing producers to internalize consumer goodwill. For example, noncomparative speech involving the trademark, such as parody, is not explicitly covered by a statutory privilege. If trademark holders were allowed to shut down parodic or critical speech involving the mark, dilution law may prove to create a net social loss. Another example is if the net avoidance costs incurred by other producers attempting to avoid the mark exceed the value of the goodwill reaped by the mark holder. Yet another example of a potential social welfare loss arises because strong trademark protection can create servitudes on goods.\textsuperscript{150}

Unfortunately, the FTDA does not contain many limitations or other tools that can help courts distinguish social welfare-enhancing third-party uses of the trademark from social welfare-diminishing third-party uses of the trademark, whatever such uses may be. If interpreted exactly as written, the dilution statute creates the opportunity to enjoin many instances of third-party trademark use that do not present clear cases of harm. In the early years of dilution law, such outcomes were not uncommon, as courts issued injunctions against third parties whose use of another’s mark was unlikely to create a net social cost.\textsuperscript{151} Over time, courts increasingly have been reading limitations into dilution law to prevent recovery in cases with which they are uncomfortable. Because economic analysis of dilution law to date has been patchy at best, courts generally have framed neither their discomfort nor the ensuing limitations on the the-


\textsuperscript{150} See infra Part III.D.

ory of dilution in cost-benefit terms. Judges seem to know there is something wrong with dilution law as written, but have not quite been able to tell what the problem is at a level above the purely doctrinal. As a result, each circuit has developed its own set of tools for cabining the statute, but the social welfare implications underlying these developments remain unexplored. The rest of this Article analyzes a few common types of moves courts make in an attempt to limit dilution law and shows some of the larger social welfare concerns those moves address.

C. Avoidance Costs

One theme that surfaces often in dilution law is judicial concern with limiting the kinds of marks that receive protection. Courts consistently find ways to deny dilution protection to trademarks when it is difficult for third parties to identify whether a particular thing serves as a trademark or when it is costly for third parties to determine whether a mark is eligible for dilution protection. Put another way, courts generally create limitations that make it difficult for plaintiffs to recover when avoidance costs—the costs to third parties of avoiding infringement—are high. Judges are not using avoidance-cost language (or even third-party concerns) explicitly as a basis for their results. Whether intended or not, the practical result is that, generally speaking, the harder it is for defendants to avoid getting enmeshed in a dilution suit the less likely courts are to enjoin defendants. This Part examines a few of the ways in which courts are creating limitations that separate out and deny protection in high avoidance-cost cases.

1. The Nature of the Trademark. — Nothing in the statute limits the antidilution provisions to any particular kind of trademark. (Recall that "trademarks" are not literally limited to words, but can also include pictures, product packaging, design, color, sound, scent, and ambience.) Early interpretations of dilution law applied it across the board to a range of subject matters within the big tent of trademarks. For example, the Second Circuit, which of all the circuits has been one of the greatest friends to dilution law—not that that is saying much—upheld a preliminary injunction that had been granted to protect the shape of a cracker from alleged dilution. Many courts (including the Second Circuit in later cases), however, quickly limited the subject matter to which they would apply dilution protection. Most circuits that have considered the issue will work hard to deny dilution protection for anything that is not a

152. For one of the few cases that presents some economic analysis of dilution law, see Ty Inc. v. Perryman, 306 F.3d 509, 511–12 (7th Cir. 2002) (Posner, J.) (discussing imagination costs and free riding).
154. See supra note 29 and accompanying text.
In *I.P. Lund Trading ApS v. Kohler Co.*, for instance, the First Circuit declined to apply dilution law to product design—in this case the shape of a bathroom faucet—stating that "[w]e doubt that Congress intended the reach of the dilution concept under the FTDA to extend this far."\(^{157}\) The court justified its move by explaining that "[w]here words are the marks at issue it is easy to understand that there can be blurring and tarnishment . . . . What is much more difficult is to see how dilution is to be shown where some of a design is partially replicated."\(^{158}\)

Here the *Lund* court appears to be grappling with a subtle issue: that of how third parties are supposed to recognize and avoid the boundaries of protected trademarks. On paper at least, dilution looks like a fairly bright-line entitlement that consolidates a wide array of use rights in trademark owners. Correspondingly, dilution places stricter duties of avoidance on third parties than does classic trademark law. This requires third parties to ascertain the elements of the protected trademark so as to avoid infringing it. By contrast, classic trademark law, with its likelihood of confusion standard, conveys a thinner bundle of use rights to the trademark owner. Under a likelihood of confusion standard, the trademark owner has the right to exclude others from confusing uses, but not more than that.\(^{159}\) Historically, this meant use of the same trademark by two or more firms on noncompeting products—such as CAMPBELL for soup and for a property management company—would usually be deemed nonconfusing and therefore noninfringing.

In some ways, dilution law's avoidance costs on paper are lower than those of classic trademark law. Whereas classic trademark law's infringement inquiry is nuanced and detailed, dilution's appears less so: If firm B uses firm A's famous mark without firm A's permission and that results in the diminution of distinctiveness of A's mark, that is infringement unless the use is covered by one of the statutory privileges of comparative advertising, noncommercial use, or news reporting.\(^{160}\) Put another way, dilution's harm is less contextual, whereas classic trademark infringement requires third parties to determine whether their use of mark X would be likely to cause confusion among reasonable consumers in the relevant product market. By making the prohibited behavior less context-dependent, dilution lowers avoidance costs along one margin.

But additional factors raise avoidance costs along other margins. In recent years, the subject matter of trademark protection has expanded outward to include source identifiers that tend to have higher definition costs than traditional pictorial or literary marks. Examples include prod-
uct configuration, product design, and product ambience. Trade-
marks composed of words, logos, and pictures can be defined at fairly low
cost by a simple representation on paper. Product design, configuration,
and ambience, by contrast, often require thicker description to convey
the concept of the trademark. Third parties trying to fulfill their duties
of avoidance under either classic trademark infringement or dilution law
must not just figure out the contexts in which they cannot use a protected
mark; they must also figure out the contours of what they must avoid. In
other words, third parties need to define marks in order to avoid them.
The higher the definition costs of the mark, the more costly avoidance
will be.

The word GOLDFISH as a trademark for Pepperidge Farm's fish-
shaped cracker is easier to define than the appearance of the same
 cracker, although both the word and the appearance of the cracker are
trademarks. In part, this is because the word GOLDFISH is registered as
a trademark with the U.S. Patent and Trademark Office (PTO) whereas
the appearance of the cracker is not. (Unlike a patent, a trademark
does not have to be registered with the PTO in order to be protected.)
Registering words, logos, and pictures but not product appearance with
the PTO is a move trademark owners often make. Even if the word
GOLDFISH were not registered, however, the boundaries of the trade-
mark GOLDFISH are easy to determine just by looking at the mark: They
are the letters G-O-L-D-F-I-S-H. There is not much room to expand or
contract this definition. Perhaps Pepperidge Farm could successfully
maintain after the fact that the zone of protection around GOLDFISH
also includes misspellings like “Goldfisch,” but even so, there is compara-
tively little wiggle room. By contrast, the boundaries of trademark protec-
tion for the cracker's appearance are harder for third parties to measure
and are more amenable to expansion and contraction. A trademark con-
sists of the elements of a product that the trademark owner uses as a
source identifier for consumers, but this does not necessarily allow third
parties to identify the contours of the trademark with specificity.
Which features of the cracker are serving as a source identifier? Shape,
size, texture, color, smell, flavor? Probably some combination of these,
but third parties cannot really say for sure, at least not before litigation.
By refraining from registering the elements of the cracker that it consid-
ers to be its trademark, Pepperidge Farm has chosen not to commit itself
ex ante to a definition. In truth, Pepperidge Farm may not know what
elements of the cracker—shape, size, color, etc.—it considers to be the
trademark until a competitor comes along with a similar product. Then,
Pepperidge Farm has every incentive to claim that the definition of its
mark matches whatever the competitor is doing. Indeed, in Nabisco, Inc.

161. See supra note 29 and accompanying text.
163. 15 U.S.C. § 1127 (defining term “trademark” as “any word, name, symbol, or
device, or any combination thereof [used] to identify and distinguish” goods).
v. PF Brands, Inc., Pepperidge Farm argued successfully that the similarities ("color, shape, size, and taste") between the appearance of its cracker and the appearance of its competitor's product (a fish-shaped cracker that appeared as part of a mix of crackers labeled CATDOG) constituted the elements of its protected trademark whereas the differences (the baker's markings on each cracker and mix of crackers in the package) did not.\footnote{164. 191 F.3d 208, 218 (2d Cir. 1999).}

Now we can see why owners of the types of trademarks to which protection has been expanded in recent years have incentives not to register their marks. The disadvantages of failing to register are few. Registration puts third parties on constructive notice nationwide,\footnote{165. See 15 U.S.C. § 1072 (stating that federal registration of mark provides constructive notice of ownership).} but third parties will have strict duties to avoid diluting famous marks regardless of whether the marks are registered or not. Dilution law already imposes on third parties relatively bright-line duties of avoiding a protected trademark. By refraining from registering marks such as product appearance, trademark owners reserve the chance to expand and contract the definition of their marks ex post.

Perhaps now we can better understand the move of most circuits to confine the dilution entitlement to words, logos, symbols, and pictures.\footnote{166. See, e.g., Planet Hollywood, Inc. v. Hollywood Casino Corp., 80 F. Supp. 2d 815, 898–900 (N.D. Ill. 1999) (holding that trade dress is not protected by FTDA).} Such trademarks, whether registered or not, tend to present lower definition costs to third parties. Strict duties of avoidance are easier to fulfill when coupled with reasonable definition costs. Even when left unregistered, the definition of such trademarks is less amenable to after-the-fact manipulation. By contrast, trade dress such as product design, whether registered or not, tends to present high definition costs and avoidance costs. Coupling strict duties of avoidance with marks having unclear boundaries places high costs of avoidance on third parties.

2. Inherent Distinctiveness. — In addition to confining protection to a subset of all types of marks, many circuits that have considered the issue have come to confine protection to marks that are inherently distinctive, or (writ large and a trifle simplistically) memorable enough to be associated with a particular product in consumers’ minds from the very start of the mark’s use.\footnote{167. See, e.g., TCPIP Holding Co. v. Haar Commc’ns Inc., 244 F.3d 88, 98 (2d Cir. 2001) ("Because TCPIP’s mark, ‘The Children’s Place,’ as a designator of stores for children’s clothing and accessories, is descriptive, and thus, lacks inherent distinctiveness, it cannot qualify for the protection of the Dilution Act."); I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 46–47 (1st Cir. 1998) ("[A] mark that evokes an association with a specific source only when used in connection with the particular goods or services that it identifies is ordinarily not sufficiently distinctive to be protected against dilution." (citing Restatement (Third) of Unfair Competition § 25 cmt. 3 (1995)).)} Never mind if the mark established distinctiveness or
became recognizable to consumers over time.\textsuperscript{168} It makes no difference if the trademark holder claims that dilution began after the mark became distinctive. On this view, marks that are distinctive but have secondary meaning—that is, marks that have had to establish recognition over time—fail to qualify for dilution protection.

Once again, the dilution statute nowhere mandates any such requirement. Instead, all it says is that a mark must be distinctive.\textsuperscript{169} This is nothing unusual; all trademarks must be distinctive in order to qualify for protection, even under classic theories of trademark protection. In trademark law, "distinctive" and "inherently distinctive" are terms of art.\textsuperscript{170} Inherently distinctive marks are a subset of all distinctive marks. Distinctiveness simply means consumers associate a mark with a product.\textsuperscript{171} By requiring inherent distinctiveness (consumer recognition from day one) when the statute demands only distinctiveness (consumer recognition), courts narrow the set of marks to which dilution law applies.

3. \textit{Famousness}. — The one requirement unique to dilution law that Congress did explicitly impose on marks to qualify for protection is famousness.\textsuperscript{172} Congress then punted on the issue of exactly what makes a mark famous. Instead, the statute sets out eight factors that can be used, or not, as the court wishes.\textsuperscript{173} These factors range from the degree of recognition a mark has among consumers to the extent of the geographical trading area. Courts have gravitated toward those factors that tend to make fame more difficult to establish. Early cases had little problem allowing a regional mark to be declared famous, but later cases have generally rejected regional fame as meeting the famousness requirement.\textsuperscript{174} As another example, cases decided when the statute was new held that

\textsuperscript{168} See \textit{TCPIP Holding Co.}, 244 F.3d at 98 ("The mark's deficiency in inherent distinctiveness is not compensated by the fact that TCPIP's mark has achieved a significant degree of consumer recognition.").
\textsuperscript{169} See 15 U.S.C. § 1125(c)(1) (permitting injunction against third-party use of mark that "causes dilution of the distinctive quality of the mark").
\textsuperscript{170} See 1 McCarthy, Unfair Competition, supra note 45, § 11:2, at 11-435 to -436 (defining distinctiveness and inherent distinctiveness).
\textsuperscript{172} See 15 U.S.C. § 1125(c)(1).
\textsuperscript{173} Specifically, the eight factors are:
\begin{itemize}
  \item \textbf{(A)} the degree of inherent or acquired distinctiveness of the mark;
  \item \textbf{(B)} the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
  \item \textbf{(C)} the duration and extent of advertising and publicity of the mark;
  \item \textbf{(D)} the geographical extent of the trading area in which the mark is used;
  \item \textbf{(E)} the channels of trade for the goods or services with which the mark is used;
  \item \textbf{(F)} the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;
  \item \textbf{(G)} the nature and extent of use of the same or similar marks by third parties; and
  \item \textbf{(H)} whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.
\end{itemize}
fame in a product niche market was sufficient to establish fame for protection against trademark dilution, but most later courts have come out the other way. All in all, proving the fame of a mark—at least for purposes of qualifying for protection under the trademark dilution laws—is becoming harder for many trademark holders. Raising the famousness bar reduces the pool of trademarks that qualify for protection under the FTDA and makes it easier for third parties to avoid infringement. The more nationally famous a mark, the more likely third parties are to be aware of its existence and the lower the costs of searching to determine which marks are off-limits.

D. Trademarks as Servitudes

Strong trademark protection can create a servitude on goods. This is one of the most intractable and hidden problems dilution law has presented for courts. The servitude-on-goods problem has appeared in a number of dilution cases, but to date no court has picked up on the existence of the servitudes, although judges have expressed discomfort with the facts of the cases in which servitudes arise. In these cases, judges can quite clearly sense a problem but have not been able to define it clearly. This is not surprising: Servitudes on personal property are rare.

Dilution can create a servitude on goods by allowing the trademark holder to control what purchasers do with the product once the good has been sold. In the case of many goods, the trade dress—the look and feel of the good—is inseparable from the physical good itself. For example, the look and feel of Lego blocks is indistinguishable from the blocks themselves; the appearance of a Barbie doll is inseparable from the doll. In these instances the intellectual property is inseparable from the tangible embodiment of the good. Under the exhaustion rule (also known as the first sale doctrine), an intellectual property owner’s power to control the tangible embodiment of an intellectual good ends when the good is

v. Haar Comm’ns Inc., 244 F.3d 88, 99 (2d Cir. 2001) (rejecting regional fame as sufficient to establish fame under FTDA).


176. See, e.g., Mattel Inc. v. Walking Mountain Prods., 353 F.3d 792, 812 (9th Cir. 2003) (denying relief on grounds that defendant’s use of trademarked good was “noncommercial”).

sold. For example, buyers of a patented widget may do what they wish with the widget, such as resell it or take it apart, without getting the patentee's permission. What they may not do is make their own copy of the widget. Similarly, purchasers of a copyrighted book have the right to do what they like with the physical embodiment of the book—read it, burn it, and so forth—without incurring liability. But they may not copy the expressive content of the book.

Classic trademark law also contains the court-created rule that a purchaser of a trademarked good has the “right to resell a branded item in an unchanged state” so long as it does not give rise to consumer confusion. Such a doctrine does not truly exhaust the trademark holder’s rights to control the good in commerce, however. For example, it does not apply to goods that the purchaser has altered and then put into the stream of commerce. It also does not create a general exhaustion rule that can be applied to dilution claims. In the few instances in which courts have been faced with the trademark servitude problem under a classic likelihood of confusion theory, they have dealt with the issue by determining whether consumers would be confused by the purchaser’s use of the plaintiff’s trademark. Where purchasers have escaped liability, it is not because the trademark holder’s rights over the physical embodiment of the good have been declared exhausted but because the purchasers have been deemed not to have caused consumer confusion. Some courts have ruled that the exhaustion rule also does not apply to parallel importation of gray market goods, even when consumers are not confused. Indeed, long before federal dilution law was created, some courts declared that a trademark holder’s rights to control a

178. See, e.g., United States v. Univis Lens Co., 316 U.S. 241, 249 (1942) (stating that first sale doctrine gives purchasers of patented items right to use and resell item).

179. See 17 U.S.C. § 109(a) (2000) (“The owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”)


181. Id. (“[I]t is well-recognized that the exhaustion doctrine does not apply to genuine goods which have been altered.”).

182. See, e.g., NEC Elecs. v. CAL Circuit Abco, 810 F.2d 1506, 1509 (9th Cir. 1987).

183. See id. There, the court stated:
Once a trademark owner sells his product, the buyer ordinarily may resell the product under the original mark without incurring any trademark law liability. The reason is that trademark law is designed to prevent sellers from confusing or deceiving consumers about the origin or make of a product, which confusion ordinarily does not exist when a genuine article bearing a true mark is sold.

184. Original Appalachian Artworks, 816 F.2d at 76 (“[T]he ‘exhaustion’ doctrine does not apply with equal force in the international context.”). But see NEC Elecs., 810 F.2d at 1509 (“Trademark law generally does not reach the sale of genuine goods bearing a true mark even though such sale is without the mark owner’s consent.”).
tradedmarked good after purchase can continue to persist postpurchase if the trademark holder can demonstrate that goodwill surrounds its mark.\textsuperscript{185} Since dilution law is intended to protect consumer goodwill in a mark, this implies that trademark’s exhaustion doctrine might not apply to dilution cases.

In the absence of an effective exhaustion rule to cut off the trademark holder’s ability to control the use of a product containing famous trade dress inseparable from the product, dilution law gives trademark holders rights that can follow the good into the stream of commerce. In \textit{Liquid Glass Enterprises, Inc. v. Porsche AG}, a car wax company used a Porsche car in an advertisement to sell its own car wax.\textsuperscript{186} The court in \textit{Liquid Glass} declared the look and feel of a Porsche car to be famous trade dress.\textsuperscript{187} That Liquid Glass used Porsche’s trade dress in a commercial context was clear; indeed, commercial use has been found on the basis of even less seamy activity under the Lanham Act.\textsuperscript{188} It is questionable whether Liquid Glass’s use of a Porsche car in an advertisement truly caused harm by diluting the distinctive quality of the trade dress (the court found harm by virtue of the use), but the speculative nature of the harm did not prevent Porsche from stating a prima facie claim of infringement.\textsuperscript{189} Nor was Liquid Glass saved by the three statutory exceptions to liability—comparative advertising, noncommercial use, and media use.\textsuperscript{190} Strong dilution protection (here, essentially a straight misappropriation theory of dilution) when applied to Porsche’s trade dress allowed Porsche the effective right to control at least some commercial uses of the car (“diluting” uses, whatever those are) after purchase for use in the ad.

\begin{enumerate}
\item \textsuperscript{185} See, e.g., \textit{Original Appalachian Artworks}, 816 F.2d at 76; \textit{Osawa & Co. v. B & H Photo}, 589 F. Supp. 1163, 1174 (S.D.N.Y. 1984) (stating that exhaustion may apply if trademark holder cannot show goodwill in mark). But see \textit{Philip Morris Inc. v. Cigarettes for Less}, 69 F. Supp. 2d 1181, 1190 (N.D. Cal. 1999) (rejecting plaintiff’s argument that its goodwill was diminished and granting only limited relief), aff’d, 215 F.3d 1333 (9th Cir. 2000).
\item \textsuperscript{186} 8 F. Supp. 2d 398, 404-05 (D.N.J. 1998) (holding that use of PORSCHE trademark and image of PORSCHE car as trade dress in magazine and video advertisements for car polish constituted actionable dilution).
\item \textsuperscript{187} Id.
\item \textsuperscript{188} See, e.g., \textit{Intermatic Inc. v. Toeppen}, 947 F. Supp. 1227, 1239–40 (N.D. Ill. 1996) (holding that where no products were being sold or offered for sale, “use of the Internet is sufficient to meet the ‘in commerce’ requirement of the [Federal Trademark Dilution] Act”).
\item \textsuperscript{189} \textit{Liquid Glass}, 8 F. Supp. 2d at 405. As the court explained: For many years, Porsche has endeavored to maintain its good will and reputation for producing high quality products catering to an exclusive market of automobile consumers. Liquid Glass’s unauthorized use of Porsche’s trademarks and trade dress is likely to slowly whittle away the distinctiveness of Porsche’s marks, demeaning the Porsche cachet and blurring the value of its famous and strong marks.
\end{enumerate}
The court in *Liquid Glass* was not bothered by the existence of a servitude on goods—indeed it did not discuss it at all—and granted Porsche an injunction. But in more recent cases when strong dilution protection would create a servitude, judges have balked at allowing relief. Although no court has yet drawn the connection between dilution protection and the power of trademarks to create servitudes, when strong protection would allow trademark holders to control aftermarket uses of the good, courts have usually found a way to cut off the trademark holder's rights. This has often required a logical stretch, such as declaring a use that would be commercial in other contexts under the Lanham Act to be noncommercial and therefore outside the ambit of dilution law's protection.

**CONCLUSION**

Dilution law as created by Congress in 1996 prohibits a wide range of uses of a famous mark. Many cases that fall within its ambit present circumstances where the social benefits of the unauthorized trademark use are positive but the social harm is unclear. Limitations and other mechanisms are necessary if relief is to be consistently and predictably confined to cases in which the harm caused by the unauthorized use outweighs the benefit. Each circuit in its own way is creating its own set of limitations on dilution law. The upshot, whether by design or not, is that relief is usually being confined to cases where the social harm of the unauthorized use exceeds the social benefit. This winnowing process began even before the Supreme Court handed down its decision in *Moseley*. Courts are tailoring an overbroad and ambiguous form of intellectual property protection to correct for congressional exuberance, influence by interest groups, or perhaps just haste.

The reining in of federal dilution law has largely been a bottom-up phenomenon. Each circuit has created its own set of limitations, some more directly supported by the statute than others, some more invasive than others, and some more effective than others. Nationwide, it is clear that dilution claims that fall within the parameters of the statute are becoming harder to win, but the contours of development within each circuit vary. Because the interpretation of dilution law is evolving quickly and differently in each circuit, anticipating the precise development of the law in each circuit can be difficult. Departure from previous Lanham Act precedent does not make it easier for litigants to adapt and adjust. Some of the limitations that are being created are only weakly supported,

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192. See, e.g., *Mattel Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 803 (9th Cir. 2003).
193. Id.
195. See *Klieger*, supra note 42, at 834–40 (discussing speed at which FTDA was passed by Congress).
if at all, by the wording of the statute. Some are contradicted by precedent arising out of other areas of the Lanham Act. Although the courts have been confining relief in recent years to cases in which shutting down unauthorized use is most likely welfare-enhancing, some of the limitations are a stretch given the statutory language. As this Article goes to press, amendments to the FTDA have been proposed in Congress. The pending amendments leave little doubt that Congress is responding to some of the efforts by courts to trim back the dilution statute over the past decade. Some aspects of the proposed bill incorporate the decisions of the courts; other parts reject the judiciary’s interpretation of the FTDA.

The story sometimes told of intellectual property rights in the past few decades is one of relentless expansion. That intellectual property rights have increased in strength, length, and breadth is unquestionable. But the quantitative data and qualitative results presented here should remind us that there are many mechanisms that affect the scope and power of intellectual property rights. Judicial development of intellectual property law is one of these mechanisms. Although the law as enforced is not as easy to discover as the law on the books, examining enforcement patterns is necessary to advance our understanding of the real effects of intellectual property rights.


198. See, e.g., id. § 2 (defining famous mark as one that is “widely recognized by the general consuming public of the United States”).

199. See, e.g., id. (stating that mark’s distinctiveness may be inherent or acquired). Such language would overturn the holdings of cases such as I.P. Lund, 163 F.3d 27, and TCPIP Holding Co., 244 F.3d 88, which require that a mark must be inherently distinctive in order to qualify for dilution protection. The proposed bill also would overturn Moseley, 537 U.S. 418, by allowing trademark holders to prove merely that a third party’s use is “likely to cause dilution” rather than having to prove actual dilution. See H.R. 683 at § 2.
**APPENDIX A**

**NUMBER OF TRADEMARK FILINGS AND TERMINATIONS IN U.S. DISTRICT COURTS, 1996–2005**

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<td>3,928</td>
<td>12.97</td>
<td>3,635</td>
</tr>
<tr>
<td>1998</td>
<td>3,477</td>
<td>7.22</td>
<td>3,241</td>
</tr>
<tr>
<td>1997</td>
<td>3,243</td>
<td>6.85</td>
<td>3,026</td>
</tr>
<tr>
<td>January 16, 1996–December 31, 1996</td>
<td>2,867</td>
<td>2,616</td>
<td>30,472</td>
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<tr>
<td>Total</td>
<td>33,488</td>
<td>30,472</td>
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</table>

200. For the number of cases filed, data for 2005 and 1996 were obtained from PACER. Admin. Office of the U.S. Courts, PACER Service Center, at http://pacer.psc.uscourts.gov/index.html. Data for 1997 to 2004 were obtained from U.S. Courts, Statistical Tables, supra note 75, vols. 1996–2004, tbl.C-2. For the number of cases terminated, data for 1996 were obtained from PACER. Data for 1997 to 2004 were obtained from U.S. Courts, Statistical Tables, supra note 75, vols. 1997–2004, tbl.C-4.
## APPENDIX B

### POINT OF TERMINATION OF TRADEMARK FILINGS IN U.S. DISTRICT COURT, 1996–2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>No court action</th>
<th>Total</th>
<th>Term. before pretrial</th>
<th>Term. during or after pretrial</th>
<th>Court action</th>
<th>Termination during or after trial</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total</td>
</tr>
<tr>
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<td>2,279</td>
<td>1,893</td>
<td>344</td>
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<td>22</td>
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<td>950</td>
<td>2,465</td>
<td>2,046</td>
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<td>54</td>
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<td>2,598</td>
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<tr>
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</tr>
<tr>
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<td>21,915</td>
<td>18,332</td>
<td>5,019</td>
<td>564</td>
<td>317</td>
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<tr>
<td>Average per year</td>
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<td>965</td>
<td>2,345</td>
<td>2,037</td>
<td>335</td>
<td>63</td>
<td>35</td>
</tr>
</tbody>
</table>